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Britain Announces Decision to Leave UNESCO in 1985

By R.W. Apple Jr.
New York Times Service

LONDON — Britain announced Thursday that it would withdraw from the much-criticized United Nations Educational, Scientific and Cultural Organization at the end of next year unless there was clear evidence of further progress toward reforming the agency.

The United States gave a similar notice last year, and it is widely anticipated that the Reagan administration will go through with withdrawal plans next month. American diplomats had pressed Prime Minister Margaret Thatcher's government to strengthen Washington's stance by following suit.

Sir Geoffrey Howe, the foreign secretary, told the House of Commons that Britain was not satisfied that it was getting its money's worth from UNESCO, which has been accused not only of poor management but also of having succumbed to political pressure from Third World countries. The agency has been widely denounced in the West for advocating what many editors consider a form of press censorship.

"The United States pays a quarter of UNESCO's annual budget. Britain's share is less than 8 percent, but it has played an important part in the organization's history. It was founded in London at the end of World War II, and Englishmen such as John Maud and Julian Huxley were among the agency's pioneering officials."

Sir Geoffrey said that he had written to UNESCO headquarters in Paris, giving notice of Britain's plans but pledging that they would be reviewed if "progress on value for money" was made at the organization's general conference next year. He promised that the country's annual subscription of \$6 million would be paid this year.

"If the money can better be spent elsewhere than we have that option" in succeeding years, the foreign secretary told the Commons.

Mrs. Thatcher, like President Ronald Reagan, has frequently complained about anti-Western bias in UNESCO, which has been headed since 1974 by Ahmadou Mahtar M'Bow, a Senegalese. Mrs. Thatcher said Tuesday that the criticisms of the organization were "abundantly justified, both in the direction of its expenditure and the attempts it makes from time to time to prevent freedom of speech and the freedom of the press."

Britain is likely to stand alone among European countries in its approach to the problems of UNESCO. At a meeting in Brussels earlier this week, other members of the European Community made it clear that they preferred to remain in the organization and work for reform.

"We acknowledge that some progress has been made toward reforms," Sir Geoffrey said, "but much remains to be done."

The government's decision represented a victory for those in the Foreign Office and in the ruling Conservative Party who believe that Britain's best interests are served by aligning its foreign policy as closely as possible with that of the United States. But there were many politicians and others who deeply regretted the decision.

Significant among those were the leaders of the Commonwealth countries, who mounted a wide-



Geoffrey Howe

ranging effort over the past 10 days to convince Mrs. Thatcher that she should remain in UNESCO and fight for reform from the inside. UNESCO carries out important programs, including many to promote literacy, in the Commonwealth nations.

Gough Whitlam, the former Australian Labor prime minister, who now heads his country's delegation to UNESCO, visited London this week in a vain bid to persuade the British that the reform process would be retarded rather than accelerated by a British notice of withdrawal. On Wednesday, the envoys of 41 Commonwealth countries met Sir Geoffrey to urge him not to act as "a willing junior partner" of Mr. Reagan.

David Owen, the leader of the centrist Social Democratic Party, said after Sir Geoffrey's speech that Britain had made a serious mistake by aligning itself with Washington rather than with Europe.

Describing the decision as a "mindless" one, he said that he should be United Nations Resolution 242, which calls for Israel to withdraw from territories it captured in the 1967 Middle East war in return for recognition and a peace agreement with its Arab neighbors.

Even though several pro-Syrian factions of the PLO boycotted the conference, officials of Mr. Arafat's el-Fatah main line PLO grouping declared that there was the necessary quorum of two-thirds of the 384 delegates to open the meeting.

The meeting was convened amid extraordinary security measures by the Jordanians. Streets leading to the building where it was held were blocked by Jordanian soldiers. The building itself was guarded by soldiers in jeeps armed with machine guns, and a military helicopter circled overhead.

King Hussein and Mr. Arafat were warmly received by more than 200 delegates of the Palestine National Council and hundreds of observers in the King Hussein Sports Center.

The meeting, considered one of the most critical in the PLO's history, was boycotted by Syrian-backed PLO rebels. The rebels forced Mr. Arafat and his men out of Lebanon last year and have called for his removal as leader of the PLO.

The meeting was also boycotted by the Popular Front for the Liberation of Palestine, which is led by George Habbash, and by the Democratic Front for the Liberation of Palestine.

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Hussein Tells PLO To Unify

Arafat Opens Amman Session Of Council

By Edward Walsh
Washington Post Service

AMMAN, Jordan — The Palestine Liberation Organization convened its "parliament in exile" Thursday and was urged by King Hussein of Jordan to put aside its internal differences and forge a Jordanian-Palestinian initiative for a peace settlement with Israel.

Addressing the opening session of the 17th meeting of the Palestine National Council called by the PLO chairman, Yasser Arafat, the king scolded the PLO and the Arab world in general for wasting time and energy on "disagreement, conflict and recrimination."

"The question is: for how long will we allow time to serve a greedy enemy who every day eats up part of the remaining land while we dispute our time in fruitless argument and recrimination," he said.

While emphasizing that the decision belonged to the PLO alone, the king reiterated his call for a Jordanian-Palestinian initiative to convene an international peace conference under United Nations auspices.

The basis of peace talks, he said, should be United Nations Resolution 242, which calls for Israel to withdraw from territories it captured in the 1967 Middle East war in return for recognition and a peace agreement with its Arab neighbors.

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Ali Treiki

Qadhafi Aide Says Libya Isn't Flouting Chad Accord

United Press International

ATHENS — Libya's foreign minister said Thursday that the withdrawal of Libyan troops from Chad had been delayed for "technical reasons" and that Libya continued to occupy the northern Chad strip of Aouzou with French knowledge.

The official, Ali Abdel-Salem Treiki, denied that Libya and France differed over Chad and stated categorically that "we intend to respect our agreement" to withdraw forces from the country.

But he said in an interview here that Libyan troops would again intervene in Chad's affairs if troops loyal to President Hissene Habre attacked the rebel forces of former President Goukouni Oueddei.

"The French understand very well that because of the geographical problem there might be a delay for the complete withdrawal of our element of support," Mr. Treiki said. "It is for technical reasons, not political reasons."

Mr. Treiki arrived Wednesday in Athens to deliver a message from the Libyan leader, Colonel Moamer Qadhafi, to Prime Minister Andreas Papandreu of Greece, who helped mediate the French-Libyan agreement to withdraw their forces from Chad.

A government spokesman, Dimitris Maroudas, said Thursday that a Greek Foreign Ministry official had left for Libya as an "objective observer" to see "that both sides maintain the agreement" to withdraw their forces.

Mr. Maroudas said the withdrawal of forces from Chad would be completed by the end of this week and that an official in the Foreign Ministry, Carolos Papoulas, was expected to stay up to three days in Libya.

Mr. Qadhafi, Mr. Papandreu and President Francois Mitterrand met last week to discuss differences over an agreement reached in September to withdraw French and Libyan troops from Chad.

U.S., Soviet Union Agree To Resume Arms Talks In Geneva in January

By John M. Goshko
Washington Post Service

WASHINGTON — The United States and the Soviet Union announced agreement Thursday to begin negotiations on controlling nuclear and space weapons.

The two governments said that Secretary of State George P. Shultz would meet with Foreign Minister Andrei A. Gromyko in Geneva on Jan. 7 and 8 to draw up an agenda for the talks.

Robert C. McFarlane, President Ronald Reagan's national security adviser, said at a White House news conference that the objective was to reach "mutually acceptable agreements on the whole range of questions concerning nuclear and outer space arms."

He said that the Shultz-Gromyko meeting would not get into the substance of arms-control issues but would focus on achieving "a common understanding as to the subject and objectives of such negotiations."

The meeting, as described by Mr. McFarlane, appears to be regarded by the administration as a first step toward a possible full-scale new start on the arms talks that have been in limbo since late last year.

Thursday's announcement left unclear how the two nations intended to bridge the gap on what should be negotiated. The Russians want to give priority to stopping development of weapons in space. The United States has been reluctant to consider agreements in that area and has put its emphasis on reduction of intercontinental and medium-range nuclear missiles.

The tone of statements made in Washington and Moscow on Thursday indicated that the two sides still have a long way to go in their search for sufficient common ground to negotiate substantively.

Mr. McFarlane said the agreement, which evolved from discussions between the two sides over the past several weeks, was in line with Mr. Reagan's proposal for "umbrella talks that will encompass the full family of issues" in U.S.-Soviet relations.

However, the emphasis in Geneva will be on what Mr. McFarlane called "the most pressing" issues: strategic nuclear weapons, intermediate-range nuclear weapons and weapons in space.

In Moscow, the Soviet Foreign Ministry spokesman, Vladimir B. Lomeiko, who made a simultaneous announcement of the agreement, contended that the two governments were talking about "completely new negotiations."

He said the Soviet Union did not regard the Shultz-Gromyko meeting as a continuation of the parallel Geneva talks on limiting strategic and intermediate-range nuclear missiles that were suspended by

Moscow a year ago after NATO began deploying medium-range cruise and Pershing-2 missiles in Western Europe.

Mr. Lomeiko said the Soviet Union still insisted that the suspended talks could not resume until the United States and its North Atlantic Treaty Organization allies removed the missiles, which are capable of striking deep into Soviet territory from their sites in West Europe.

On the U.S. side, Mr. McFarlane turned aside as premature questions about whether the suspended Geneva talks would be put back on track or whether Mr. Shultz and Mr. Gromyko would agree on some new way of picking up the negotiating threads in these two areas.

He said the purpose of the January meeting and "possible follow-on meetings" was to discuss "scope, venue and timing" for negotiating the three sets of issues.

Although Mr. McFarlane indicated that the United States saw advantages in using the formats that had been established by the suspended Geneva talks, he added: "We are ready to talk and listen to alternative ideas on the other side."

The announcement "does confirm that the Soviet Union does intend to negotiate toward agree-

ments on nuclear arms," Mr. McFarlane said. "And they have so stated in the announcement."

He added: "It is essential that there be a sustained effort. We don't say that this is a milestone of conclusion, but a beginning."

Mr. McFarlane also sought to give a big share of the credit for the development to Mr. Reagan, whose stress on negotiating from a position of strength has caused critics to charge that he really is not interested in reaching arms control agreements.

Mr. McFarlane said he advised the president Monday that a tentative agreement had been reached with Moscow. He quoted the president as telling him:

"This is good news. It is the first step on what will be a long and difficult road. But the world is depending on us. I want you to get back to Washington and speed up the work necessary to prepare our position."

The agreement came after a long period of chill in U.S.-Soviet relations, punctuated by the Soviet walkout from the Geneva negotiations last year and the failure last summer of the two sides to reach an accord for a Soviet proposal that they meet in September in Vienna to discuss space weapons.

Russians, in Rare Move, Drop Key Party Meeting

Reuters

MOSCOW — The Soviet leadership has decided against holding the annual winter session of the Communist Party Central Committee, and diplomats said Thursday that internal political conflicts could be the reason.

British officials said Neil Kinnock, the Labor Party leader who is currently visiting Russia, had been told the committee session would not take place Monday as expected.

Western diplomats said the decision not to hold the meeting was unprecedented. Many said it could indicate that President Konstantin U. Chernenko wanted to avoid a conflict over policy issues or personnel changes.

"There are clearly political rather than procedural reasons for not convening the meeting," a diplomat said. "It is all still a mystery, but it does suggest Chernenko has some grounds for not wanting a full committee session right now."

In the past, the winter assembly has approved the following year's budget and economic plan and then submitted them to the Supreme Soviet, the country's parliament, for endorsement. The session have also often been asked to approve changes in the ruling Politburo proposed by a party leader.

The Supreme Soviet is scheduled to meet Tuesday. Monday is the only day on which the Central Committee meeting could have taken place.

Appointments for that day confirm that an assembly would probably not be held. Mr. Chernenko is due to see Mr. Kinnock in the morning. Foreign Minister Andrei A. Gromyko, also a Politburo member, is meeting Foreign Minister Leopold Gratz of Austria in the afternoon.

Western diplomats had already speculated that the assembly had been called off after Mr. Chernenko, speaking to the Politburo last week, announced he was submitting the budget and economic plan directly to the Supreme Soviet.

"It looked then as if he was going to bypass the Central Committee, but nobody could quite believe it," a diplomat said. "He's not the sort of man to break with long-standing party practices if he can avoid it."

Some analysts said the decision could simply mean a streamlining of bureaucratic practices, since the Supreme Soviet and the Central Committee usually duplicated each other.

Other analysts, suspecting political reasons for the move, said there were still no clear signs about what it might mean.

"It could be that Chernenko has faced opposition to changes he wants to make in the leadership and that this could turn into an open challenge" at the assembly, one said. Others argued it was possible there were serious disputes over economic policy.

The Central Committee, made up of more than 300 members, generally meets only twice a year in brief sessions during which it endorses decisions made by the Politburo. Analysts noted, however, that in some circumstances it can question Kremlin rulings.

"If there is a powerful faction opposed to the policies of the leader then it is conceivable it could mobilize enough committee members to disrupt the preordained order of events and cause him serious trouble," a diplomat said.

Analysts said it appeared the decision not to hold the meeting had been made earlier this month. They argued that if the Kremlin had decided before then to do away with the regular winter session it could have secured party endorsement for the 1985 plan at a party meeting held Oct. 23.

"One is left suspecting something happened between Oct. 23 and last week's Politburo meeting to persuade Chernenko another plenum might not be a good idea," a diplomat said.

Fierce Vietnam-Cambodia Fighting Expected to Last Through Dry Season

Reuters

BANGKOK — Fierce fighting near the Thai border this week between Cambodian guerrillas and Vietnamese troops appears to mark the start of months of clashes.

The current Vietnamese offensive against the guerrillas will be the bloodiest yet, predicted an official of the Khmer People's National Liberation Front, the main non-Communist resistance group.

Western diplomats said that no clear end was likely to emerge that could hasten an end to the problems of Cambodia, occupied by Vietnamese forces for almost six years.

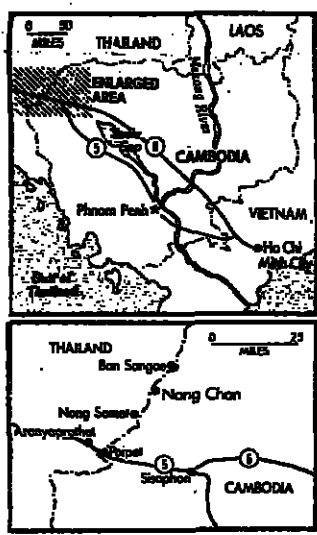
They said that neither side was strong enough to deliver a knock-out punch, and that unless a diplomatic solution was found the war of attrition would go on.

Vietnamese troops launched their first major drive of the current dry season Sunday with an attack against the Khmer People's National Liberation Front base at Nong Chan.

About 1,500 soldiers under artillery cover stormed the camp along a three-kilometer (two-mile) front. But on Thursday, neither side completely controlled Nong Chan, a Thai Army spokesman said.

[Lieutenant General Pichit Kulavajanya, a Thai regional army commander, said Thursday that fighting had died down with both sides exhausted and running out of ammunition. The Associated Press reported. General Pichit said he believed that the Vietnamese had suffered three times as many casualties as the resistance.

[Reliable figures are not available, but civilian casualties have been very low, said officials said.]



Vietnamese troops have been trying to wipe out the Khmer People's National Liberation Front and other guerrilla groups for six years with little success. When they advance in superior strength their opponents melt away and return when the Vietnamese pull back.

"We try to hold on to our major bases, but not at all costs," the Khmer People's National Liberation Front spokesman, Abdul Ghafor Peangmuth, said in Bangkok.

Thai military experts said that Vietnamese troops could not hold on to rebel bases indefinitely because of logistic problems and the fear of getting bogged down in mud during the rainy season.

The present dry season began earlier than usual, raising the prospect of a longer round of fighting. "One camp may fall but two more will be set up," Mr. Ghafor said. "This is how we play the game."

Nong Chan was overrun by the Vietnamese in January 1983. When they withdrew at the start of the rainy season, the rebels came back and rebuilt it from scratch.

Mr. Ghafor said the real target of the Vietnamese appeared to be Ampil, the main Khmer People's National Liberation Front command headquarters, about 30 kilometers northeast of Nong Chan.

The sprawling base, only a few hundred meters from the Thai border, already has come under artillery fire in the last few days, and its 50,000 civilians are poised to flee to safety across the border.

Their ragtag belongings are neatly packed in bundles in case the Vietnamese forces come.

About 20,000 civilians who left Nong Chan have been moved to a temporary site just inside Thailand. Makeshift huts roofed with blue plastic sheets have sprouted, and more ground is being cleared to accommodate newcomers.

The refugees tramped out of Nong Chan in an orderly but noisy procession, watched by Thai soldiers to make sure they did not go deep into Thailand.

Sarong-clad women with babies on their hips and meager possessions balanced on their heads trudged alongside old men pushing



Konstantin U. Chernenko



Mikhail S. Gorbachev



Grigory V. Romanov



Andrei A. Gromyko



Dmitri F. Ustinov

Soviet Leadership: The Village Elders in a High-Tech Era

By Serge Schmemmann
New York Times Service

MOSCOW — Nine months after Konstantin U. Chernenko became the Soviet leader, his portrait and pronouncements are a fixture on billboards, in the speeches of his colleagues and in the press.

Soviet leaders have traditionally been the focus of accolades, and newspapers report that audiences react with enthusiasm to Mr. Chernenko's speeches. In presenting the Soviet leader with an award at a recent Kremlin ceremony, Defense Minister Dmitri F. Ustinov said he was doing so with "understandable feelings of joyful agitation."

But the demonstrations of respect and approval barely conceal the widespread sense that this is a leadership in transition and that the generation of the Stalin era is nearing the end of its hold on power. From Moscow through Eastern Europe to Washington, those who watch the play of power in the Soviet Union scrutinize the moves of the leaders and inspect their statements, looking for hints about what the future may hold.

Although the gathering of information about the Soviet Union, from satellite surveillance to scrutiny of the Soviet press, has made great strides since Stalin's time, the leaders in the Kremlin remain concealed behind a wall of secrecy so thick that Western experts know almost nothing of the private lives of Politburo members, and often can only guess their whereabouts.

The political standing or health of a Soviet leader is still determined largely by weighing hints in the press against rumors in the streets. It was enough for Mr. Chernenko to drop from view for several weeks last summer to touch off speculation about a succession, and the movements of contenders like Mikhail S. Gorbachev and Grigory V. Romanov became the stuff of diplomatic gossip.

Mr. Chernenko seems to have overcome whatever physical or other problems he faced in July, and now reports that Marshal Ustinov suffered a stroke have touched off new conjectures.

In a system where public discussion of the merits of leaders is taboo and political debate is tantamount to sedition, issues like transition and succession are rarely openly discussed. Yet the nine months of Mr. Chernenko's

rule have coincided with a trend that has intrigued Western diplomats.

Parallel with the development of Mr. Chernenko's official image has been the rise of a popular legend around his predecessor, Yuri V. Andropov. Muscovites have reported the spread of Andropov portraits in homes, and people tend to mention him in reverential, nostalgic tones.

Although Andropov led the Soviet Union a scant 15 months, much of the time physically incapacitated, he has evolved in the popular mind as a man who tried to get things done, who cracked down on corrupt officials, even in high places, who tried to revive the economy and pushed truant workers out of beer halls.

It is an image recalling the old Russia of the village, a basically conservative, authoritarian, rural society. But it is also the image of a leader in the mold of Stalin, who would have cracked heads and made things work, a reformer who would have found solutions to nagging economic problems, an intellectual who saw behind tired

slogans. That image is one Mr. Chernenko and his successors will be compelled to contend with.

Anecdotes often serve as the closest Soviet approximation to political commentary, and one now making the rounds has a subway conductor announcing over the public-address system: "Next stop Chernenko. Transfer from Brezhnev to Andropov."

The message is that Mr. Chernenko, although chronologically the successor to Andropov, is in fact a transitional figure between his mentor, Leonid I. Brezhnev, and an Andropov era still to come, of which the real Andropov was a forerunner.

It is a matter of continuing debate among Western experts whether Mr. Chernenko's successor, whether he proves to be Mr. Gorbachev or someone else, can achieve any real changes in the Soviet system.

Western economists have expressed doubts that the Soviet Union can overhaul its economy without first loosening the tight central controls on management and information. Moreover, the party hierarchy is still heavy with old men resistant to any encroachment on their prerogatives.

Beyond the organizational limitations, the authority of the Soviet elite still derives heavily from the centralization of all endeavor, and diplomats doubt that younger leaders would be much more willing than their elders to shed power. Yet what Mr. Chernenko's heir will have to realize is that Russia is changing, economically, socially, internationally.

Mr. Chernenko has been sufficiently astute to recognize the futility of trying to reverse what Andropov began. Some industrial experiments have been expanded and the newspapers continue to publicize corruption. But his main themes are guided by the past. He has called for a return to

(Continued on Page 2, Col. 5)

Dirigible Has Returned To Aviation In Britain

Reuters

LONDON — The airship, once a rival to the airplane, is back in business in Britain after a 50-year absence.

On Wednesday the civil aviation authority issued an airworthiness certificate to an eight-seater helium airship to carry passengers. It is available for hire at £7,000 (\$8,400) a day.

Dublin 'Despondent' Over London's Ulster Remarks

By Michael Getler
Washington Post Service

LONDON — Statements by Prime Minister Margaret Thatcher and her new minister for Northern Ireland in the aftermath of last weekend's British-Irish summit meeting here have shattered what was described as the "positive" mood of the meeting itself, Irish officials in London and in Dublin said Thursday.

The Irish officials said the mood in their government is "so despondent" and there is such "great disappointment" with Mrs. Thatcher, in particular, that they are doubting the wisdom of another summit early next year between Mrs. Thatcher and Prime Minister Garret FitzGerald of Ireland.

In a communiqué following the meeting Sunday and Monday at Chequers, Mrs. Thatcher's country retreat west of London, both leaders agreed to aim for "a further meeting between them within the coming months."

Irish officials said that what was so maddening was that the private talks had gone rather well in seeking some new common ground for dealing with the continuing violence in Northern Ireland and for easing political tensions there.

However, at a press conference immediately after the meeting, Mrs. Thatcher flatly rejected the three major options for some new form of joint authority in British-ruled Northern Ireland that had been proposed by the New Ireland Forum. The group was set up by Mr. FitzGerald to

find new initiatives to resolve the problems in Northern Ireland.

While it was known in Dublin that the British would not agree to any change in Northern Ireland's status without approval from its Protestant majority, which is loyal to Britain, the emphatic tone in which Mrs. Thatcher rejected the New Ireland Forum's suggestions has caused great political embarrassment for Mr. FitzGerald, the officials said. The Irish leader has taken risks at home by seeking greater cooperation with Britain.

Irish officials confirmed that in an angry post-summit meeting in Dublin of his Fine Gael party, Mr. FitzGerald accused Mrs. Thatcher of being "gratuitously offensive" in her press conference comments about the New Ireland Forum report.

In Parliament on Thursday, Mrs. Thatcher told questioners that she was "in total disagreement" with the remarks of Mr. FitzGerald as reported.

The Irish prime minister was clearly uncomfortable at his own press conference immediately after Mrs. Thatcher's on Monday and declined to answer questions about Mrs. Thatcher's remarks.

Peter Barry, the Irish foreign minister, is reported to have described Mrs. Thatcher's behavior as disgraceful.

Irish officials also said that comments by Mrs. Thatcher at her press conference and by Douglas Hurd, the new British cabinet secretary for Northern Ireland, in a press conference in Northern Ireland on Wednesday, casting doubt on the

"alienation" of the Catholic minority in the north, also were resented.

The third point that has added to the dismay in Dublin is Mrs. Thatcher's insistence in her press conference that Britain cannot impose any solution in Northern Ireland and that only the people there can make any agreement work.

The Irish maintain that it is virtually impossible for the forces of political confrontation in Northern Ireland to come together on their own and that there must be some outside pressure for reconciliation.

Aside from concern within his own party, Mr. FitzGerald also was subjected to a sharp attack in the Irish parliament from Charles J. Haughey, the opposition leader, who accused the prime minister of "abject capitulation to a new British intransigence and a craven desertion of the principles of the New Ireland Forum report."

The dilemma for London over the report is that while its options were all viewed as unrealistic — because the two-thirds Protestant majority would not agree to any form of control by a neutral, Catholic government of Ireland — the report was prepared by the three main moderate Catholic parties in Ireland and the moderate Catholic minority party in Northern Ireland.

It represents, at least in spirit, the most well-intentioned effort thus far to find some peaceful solution, and was viewed as the best way to keep the violent and outlawed Irish Republican Army from becoming the main voice representing Catholics in Northern Ireland.



Garret FitzGerald

WORLD BRIEFS

Police Clash With Basque Supporters

BILBAO, Spain (Reuters) — Police and groups of youths clashed throughout Spain's Basque region Thursday during a general strike following Tuesday's murder of a separatist leader.

Officials said several people were arrested in dozens of minor clashes between the police and demonstrators who threw stones and gasoline bombs. No serious injuries were reported.

Thousands of people chanting separatist slogans marched in a funeral procession in Bilbao for Dr. Santiago Brouard, who was slain Tuesday. The following day, General Luis Roson Pérez was wounded in an attack in Madrid in what the authorities viewed as a reprisal for Dr. Brouard's murder.

4 Policemen Hurt in New Caledonia

NOUMEA, New Caledonia (UPI) — Melanesian separatists on Thursday injured four policemen, held an official hostage and burned roadblocks that threatened to cause food shortages through the Pacific island, the police said.

The latest incidents in four days of violence occurred as the territorial assembly elected its first president, Jean Lequest, a member of the mainly white anti-independence party. Rally for Caledonia in the Republic.

French officials said they planned to airlift sugar, rice, gas and bread to people stranded in the north by four days of intermittent traffic stoppages. The group won 34 of the assembly's 42 seats in the Sunday election in which only 55 percent of voters participated because of a boycott by the separatists. The ballot was the first stage of a French plan for "internal autonomy" that provides for a referendum on independence in 1989.

China Denies Report of Israeli Pact

BEIJING (AP) — China denied on Thursday a report in Jane's Defense Weekly that it had agreed to buy \$3 billion in arms from Israel and had accepted Israeli military advisers to train its army.

Qi Shuxue, a Defense Ministry spokesman, said: "We have no relationship with Israel. This report has no basis in fact."

Told that the British journal's publisher had said the report was from "well-informed sources" in Israel, Mr. Qi said: "They have their own motives."

Greece Annuls Ruling on Journalist

ATHENS (AP) — Greece's Supreme Court has annulled a one-year sentence for libel imposed on a free-lance journalist for contending in a book that the country's top-selling newspaper was published in cooperation with the KGB, the Soviet secret police and intelligence service.

A spokesman said the Supreme Court decided Wednesday that an appeals court ruling in May had contravened legal regulations by failing to explain why the sentence was not suspended, as the appeals court prosecutor suggested.

The decision came after a 17-month legal tussle between Paul Anastasi, a Cyprus-born journalist who writes for The New York Times and London's Daily Telegraph, and the publisher and the editor of Ethnos (Nation), George Bobolias and Alexander Filipopoulos. In his book, entitled "Take The Nation in Your Hands," Mr. Anastasi wrote that the Athens newspaper serves as a major channel of Soviet disinformation in Greece.

Forger of Hitler Diaries Is Rearrested

HAMBURG (AP) — Konrad Kujau, the confessed forger of the Hitler diaries who is standing trial on fraud charges, was rearrested Thursday during a court session one week after he was freed.

The court ordered his rearrest shortly before it adjourned for its midday recess. It accepted the prosecution's motion that there was too great a risk that Mr. Kujau, 46, may try to flee the country.

Mr. Kujau, a dealer in Nazi regalia, was freed Nov. 15, after 18 months in prison, with no bail required. A court spokesman said at the time that the risk of him fleeing West Germany was much reduced since he had become well known and all witnesses directly concerning his case already had testified.

Romanian Party Re-elects Ceausescu

BUCHAREST (UPI) — The 13th Romanian Communist Party congress on Thursday re-elected President Nicolae Ceausescu as party leader for another five-year term. The party had published reports in June that he would be re-elected and there was no other candidate for the post.

His son, Nicu Ceausescu, 33, president of the party youth organization and minister for youth problems, was promoted from the party's 265-member Central Committee to alternate member of the policy-making Executive Political Committee. President Ceausescu's wife, Elena Ceausescu, the first deputy prime minister, was re-elected to the Executive Political Committee.

Mr. Ceausescu, 66, was elected for another term as the party's general secretary at the end of the four-day congress, attended by more than 3,000 delegates representing the 3.4 million-member organization that runs the nation of 22.6 million.

For the Record

Idaho election officials declared Wednesday that Richard Stallings, a Democrat, was the winner by 133 votes of the House seat held for seven terms by George Hansen, a Republican, who was convicted this year of violating House ethics rules. Mr. Hansen immediately challenged the decision in court.

President Ferdinand E. Marcos, whose nine-day absence from public view sparked rumors that he was seriously ill, was shown on national television Thursday dressed in his pajamas and being treated for what his doctor said was influenza.

The legislative assembly in the southern Indian state of Andhra Pradesh was dissolved Thursday, after completing less than two years of a scheduled five-year term, paving the way for a major electoral popularity test for its chief minister, N.T. Rama Rao.

President Ronald Reagan will meet with Prime Minister Yasuhiro Nakasone of Japan in Los Angeles on Jan. 2. The White House announced Wednesday.

Hussein Asks PLO Unity As Arafat Opens Session

(Continued from Page 1)

cratic Front for the Liberation of Palestine, headed by Nayef Hawatmeh.

For Mr. Arafat, the convening of the session represented a chance to reaffirm his leadership of the battered Palestinian movement against his critics. Speaking from a stage on which large Jordanian and Palestinian flags were draped, he used his opening address to set a tone for the meeting, which is expected to last about six days.

He defended his leadership of the PLO, particularly his decision to visit Egypt immediately after his expulsion from Tripoli, Lebanon, by the rebel forces. Echoing a constant theme of King Hussein, who recently reestablished Jordan's diplomatic relations with Egypt, Mr. Arafat said despite Egypt's peace treaty with Israel the Egyptians must be welcomed back into the Arab world.

The PLO leader also struck a

somewhat moderate tone toward Syria, saying that while attempts to reconcile his differences with President Hafez Assad of Syria had so far failed, the effort was still going on. Mr. Arafat added that the PLO's aim was not only to regain Palestinian territory, but all Israeli-occupied land, including the Golan Heights, which were captured from Syria in 1967.

But he said the most important function of the meeting was to reaffirm the independence of the PLO and its institutions, a clear reference to what Fatah officials see as Syria's attempt to turn the organization into a Syrian puppet.

The atmosphere of the opening meeting Thursday was filled with emotion and the symbolism of the Jordanian-PLO relationship coming full circle.

Fourteen years ago, in what the Palestinians refer to as "Black September," the Jordanian Army expelled the PLO from Jordan in a



Yasser Arafat

series of bitter battles, leading to the establishment of the PLO's new base in southern Lebanon.

After his speech, Mr. Arafat returned to the first row of seats in the Sports Center and embraced Hussein. He later escorted the king out of the hall to the enthusiastic applause of the delegates and observers.

In his speech, the king struck a familiar theme — that time is rapidly running out on Arab hopes of regaining the Israeli-occupied West Bank and Gaza Strip, and that this fact should be faced realistically.

If the situation now facing the Arabs is "bleak," he said, it was because "we failed to strike a balance between the justice of our cause and our physical and strategic capabilities, with a view to reducing the effects of America's unquestioned support for Israel."

He did not refer directly to Syria but clearly had the Syrians in mind as he also criticized "some of our Arab brethren" for "encouraging the dissensionist movement."

Guerrilla Leader Sees Little Evidence Of Soviet Arms Buildup in Nicaragua

By Joel Brinkley
New York Times Service

WASHINGTON — The chairman of the largest anti-Sandinist rebel force said his troops have seen little evidence of the major buildup of Soviet arms in Nicaragua that Reagan administration officials have described.

Adolfo Calero, head of the Nicaraguan Democratic Force, said that "the only things we have seen in the field so far are the same weapons they have used for many months."

In recent weeks, Reagan administration officials have talked of unusual shipments of arms to Nicaragua from the Soviet Union and other Eastern bloc countries.

Earlier this month, Defense Secretary Caspar W. Weinberger said the Russians had been supplying "a great deal of heavy offensive arms to Nicaragua."

Administration officials said the equipment included helicopter gunships, patrol boats, surface-to-air missiles and other air-defense systems, along with new artillery and ammunition.

Secretary of State George P. Shultz said on Nov. 10: "The Nicaraguans seem intent on militarizing their society and accumulating a level of weapons and armed capability that is entirely outside the standpoint of any conceivable defensive mission."

But Mr. Calero, who said his 15,000 troops in Nicaragua frequently engage government forces, asserted that the only new weapon

his men had seen was a multiple-grenade launcher that is a more advanced version of a launcher that Nicaraguan troops have been using for a long time.

Nonetheless, Mr. Calero said he and other rebels intended to cite the purported arrival of new Soviet arms when they lobby Congress in January to renew aid to the rebels.

Congress cut off aid last spring but approved \$14 million in new aid for the current fiscal year, which began Oct. 1. At the same time, however, Congress stipulated that the funds could not be spent unless Congress renewed approval after March 1.

Mr. Calero, who was in Washington to visit supporters, said he and other rebel officers intended to begin lobbying members of Congress in January.

"I am going to talk to all the liberal Democrats," he said, naming five or six members of the House leadership, many of whom have opposed aid. "I am going to see as many as I can see."

Mr. Calero said his troops were particularly worried about the Mi-24 attack helicopters that administration officials said were unloaded from a Soviet freighter at the Nicaraguan port of Corinto this month.

The helicopters are heavily armed Soviet assault gunships often equipped with missiles, cannons and machine guns. Mr. Calero said his troops had no weapons that could effectively counter them.

"They are going to be a menace," he said, adding: "What if those helicopters come and kill 1,000 of our men? They could do it. They have tremendous destructive capability."

He added that "that blood would be on the conscience" of any congressman "who cut off our aid."

Since the U.S. aid was ended last spring, Mr. Calero said, the rebels have received many donations from individuals in the United States and other countries.

Over the last several months, rebel leaders have estimated the total to be \$1.5 million to \$10 million, only a fraction of the aid the rebels had received from the U.S. govern-

ment. Through May, the rebels received at least \$80 million in U.S. aid.

"We are getting enough to sustain ourselves, but not enough to take on major offensive," Mr. Calero said. "We cannot afford to arm all our men."

If the rebels do not get renewed American aid, and if the Sandinists begin using new Soviet arms against them, Mr. Calero said, his men could be routed.

In recent interviews, Edgar Chamorro, another rebel leader, said he and some other rebels had grown disenchanted with the Central Intelligence Agency when it was administering the U.S. aid program.

Mr. Chamorro said he was speaking out, contrary to instructions he and others had received from the CIA because he had decided the United States was not going to renew aid to the rebels.

Mr. Calero said Mr. Chamorro would be notified this week that he is no longer a member of the rebels' leadership, largely because "he became a loose cannon."

2 Top Sandinists Killed

Two of Nicaragua's top military men and eight soldiers were killed Wednesday when a Soviet-made Mi-8 helicopter crashed into a mountain, the Defense Ministry said, according to an Associated Press report from Managua.

A ministry bulletin said the helicopter crashed in poor weather in the Los Cedros range, 150 kilometers (90 miles) northeast of Managua.

Among the dead were Deputy Commander Alvaro Hernandez, a member of the army's high command, and Deputy Commander Cristóbal Vanegas, military chief of Jinotega and Matagalpa provinces, the statement said.

A captain, five lieutenants — including the pilot and copilot — and two sergeants also were killed, the ministry said.

Vietnam-Cambodia Fighting

(Continued from Page 1)

have persistently demanded that Hanoi abide by a UN resolution calling for the pullout of its troops from Cambodia.

But Hanoi wants a withdrawal to be linked to a series of conditions including a safety zone on both sides of the Thai-Cambodian frontier and the security of its own borders.

Regional Talks Discontinued

Don Oberdorfer of The Washington Post reported from Washington: A conference between Communist and non-Communist nations in Southeast Asia dealing with the war in Cambodia is "not in the

cards" despite Vietnamese assertions to the contrary, according to Musa Hitam, the deputy prime minister of Malaysia.

Mr. Musa, winding up two days of talks with U.S. officials including Secretary of State George P. Shultz, said that such a meeting would be "a fruitless exercise" from the ASEAN viewpoint unless there is a change in Vietnamese policy. Mr. Musa said no change is in sight.

In mid-October, the Vietnamese foreign minister, Nguyen Co Thach, said while visiting the United Nations that meetings between the Communist and non-Communist nations would begin soon.

Soviet Leaders: Village Elders in High-Tech Era

(Continued from Page 1)

socialist realism in the arts, he has pressed for more party controls and for more ideology.

One of the persistent problems that the Soviet leaders have been seeking to resolve is the continuing sharp contrast between urban and rural life. Although the gradual elimination of such differences is one of the basic tenets of the Soviet Union's Marxist ideology, it has been one of the most difficult goals to achieve.

To appreciate the contrast, it is enough to drive out of Moscow. Immediately on crossing the Ring Road, a four-lane divided highway marking most of the city limits, slabs of prefabricated apartment blocks give way to muddy villages of crooked log houses. Women in kerchiefs cluster on rustic benches with chickens and geese scratching at their feet while grizzled peasants in padded jackets pump water from communal wells.

It is an image dear to the Russian soul and endearing to foreign visitors, but it is also a reminder that

outside Moscow and other pockets of fast-paced urbanization, outside the high-tech space centers and the bustling military enclaves, the Soviet Union remains a profoundly conservative, rural and underdeveloped land.

More than a third of its 275 million citizens still live in these villages, and more than half lived there only 25 years ago. It is there, in the villages and provincial towns, with their prejudices, perceptions and habits, that the Soviet state has its roots.

For all the far-flung empire they control, for all their missiles, internal security police, well-tailored aides and scientific institutes, the old men who run the Soviet Union come from this rural world. It is a world that is resistant to precipitous change, imbued with a vision of the state as a paternalistic provider, suspicious of outsiders, fearful of disorder and instability and wary of intellectuals.

Mr. Chernenko, 73, is by birth a Siberian peasant. Marshal Ustinov, 76, rose from a blue-collar family in

provincial Kuibyshev, and Foreign Minister Andrei A. Gromyko, 75, is the son of a Belorussian peasant.

All rose through party and professional ranks during the period of purges and World War II.

If the old guard is typical of its generation, then the young men waiting in the wings seem representative of theirs; they are better educated and their careers were less touched by purges and war. But they, too, more often than not, emerged from the village. Both Mr. Gorbachov, 53, and Mr. Romanov, 61, are of peasant stock.

"The Soviet leaders are a representative lot," said a Moscow intellectual. "For all the grumbling of the liberal intelligentsia, there is nothing to suggest that they would be ousted in a free election or that the people are champing at the bit. The instincts and tastes of the leaders are still pretty much in tune with the perceptions of most people, and the leaders do not sense a clamor for democracy or reform."

The toughest challenge to the authority of the state has been in agriculture, which has failed to provide enough food for a swelling urban population. Mr. Chernenko reported another poor harvest this year, and once again the Soviet Union has to spend precious hard currency to buy feed grains abroad.

But the problems that Andropov

Next: The view from Eastern Europe.

GOOD TIMES WERE MEANT FOR KENT

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For 1st Time in Siege, Police in Chile Arrest A High-Ranking Leftist

New York Times Service

SANTIAGO — Chile's military government has arrested one of the national directors of a leftist coalition, the highest-ranking political leader to be jailed since a state of siege was declared Nov. 6.

Fanny Pollarolo, arrested Wednesday, is a member of the Communist Party and a director of the Popular Democratic Movement, a Communist-Socialist coalition opposed to the rule of President Augusto Pinochet.

Mario Arana, the vice president of a Santiago community organization, was also detained.

Miss Pollarolo, a 48-year-old psychiatrist, has been active in the leftist coalition for several years and has been a proponent of the national days of protest called for Tuesday and Wednesday.

The protests are backed by moderate and leftist political and labor leaders.

There was speculation that Miss Pollarolo's arrest could indicate that the government would begin picking up high-ranking political leaders to undercut the two days of protest.

In the past, those arrested have been lower-ranking leaders of leftist parties, labor unions and student organizations, according to human rights officials.

About 1,120 persons have been arrested since General Pinochet's government suspended civil liberties Nov. 6 to fight what he called a Marxist-led insurgency.

More than 450 of those arrested have been sent into internal exile.

Political sources say the restriction of civil liberties and the strict press censorship have stymied the moderate opposition's efforts to organize.

Miss Pollarolo was arrested just after she left the Roman Catholic Church's human rights office in central Santiago. Six armed men in a van intercepted the taxi in which she and two other persons were riding, according to rights officials.

The men, who identified themselves as police officers, took Miss Pollarolo, Mr. Arana and an unidentified passenger, who was later set free, to Miss Pollarolo's home, the officials said.

Mario Vidal, Miss Pollarolo's husband, said the armed men searched the house and took money and books.

He said Miss Pollarolo and Mr. Arana were apparently being held at a local police base.

A car bomb exploded Thursday opposite the offices of the military governor of Valparaíso, "slightly injuring two police officers" and shattering hundreds of windows, according to a government communiqué quoted by United Press International.

U.S. Backs Chile Loan
The United States voted Wednesday for a \$357-million loan to Chile from the Inter-American Development Bank despite pleas by liberals in Congress that the loan be opposed to protest the Chilean government's mass detentions and state of siege. The Washington Post reported.

The loan, which must also be endorsed by other nations among the 43 agency members, is for improvement of roads in southern Chile.

U.S. officials said, however, that the administration had not decided whether it would support another pending loan from the agency to Chile of \$125 million that is scheduled for a vote Monday. The officials said the administration's decision would be "influenced heavily" by events in Chile in coming days.

A senior State Department official, who asked not to be identified, said Wednesday night that the vote was "made on the basis of the economic benefits that it will provide to the people of Chile, and does not reflect U.S. indifference to what is going on in Chile."

"We are still deeply concerned by the internal Chilean situation and have communicated this view to both the government and the opposition there," the official said.

"We cannot say at this point what position we will take when the next loan vote is taken, but it will depend, at least in part, on what happens there in the next week."

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Black leaders are taken by the police from the South African Embassy.

Blacks Jailed After Sit-In At Pretoria Mission in U.S.

The Associated Press

WASHINGTON — The District of Columbia's delegate to Congress and two other black leaders staged a sit-in Wednesday at the South African Embassy and were jailed for the night.

The three were the delegate, Walter Fauntroy, Mary Frances Berry, a member of the U.S. Civil Rights Commission, and Randall Robinson, head of the black lobbying group TransAfrica.

They were charged with unlawful entry and refused bond, which guaranteed that they would spend the night in jail. The charge carries a maximum penalty of six months in prison and a \$100 fine.

The three had met, along with Eleanor Holmes Norton, with Ambassador Bernardus G. Fourie to ask for the release of black labor leaders being held in South Africa. An hour later, Ms. Norton, the former head of the Equal Employment Opportunity Commission, came out to say the others would not leave.

Two hours later, they were led out handcuffed by Secret Service officers and driven away.

Chicago Becomes City of the Hungry

Unemployment, Recession Add to Soup Kitchen Lines

By Kevin Klose

Washington Post Service

CHICAGO — Like thousands of Chicagoans, Katie the Bird Lady, Nguyen Trung the Vietnamese Survivor and Ladora Racy the Widow have prepared for Thanksgiving in the only way they know: with food from the soup kitchens and shelters of a city that has rising numbers of the jobless, the hungry and the homeless.

As never since the Depression five decades ago, Chicago is being challenged by the harsh, unexpected truths of unemployment and manufacturing recession.

At almost any time of day, lines of poorly clad people can be seen outside the soup kitchens and church basements, waiting for food. Welfare officials say the increase in demand, especially since the weather turned cold last month, has been extraordinary.

A city task force on hunger set up by Mayor Harold Washington reported that 887,929 people "are at risk of hunger in Chicago," about 29.5 percent of the city's total population of 3 million, "or more than one of every four Chicagoans."

"It is shocking, frightening and inhumane," the report said. "How can the richest country on earth allow this to happen to its people?"

Unemployment in Chicago is 9 percent, higher than national figure of 7.4 percent. Thousands of factory jobs that disappeared during the recession will never return.

The mayor told a congressional subcommittee this year that as many as 25,000 Chicagoans "exist like the untouchables of Calcutta, sleeping in the streets and alleys and abandoned autos." The situation is "an indictment of us as a people," he said.

The number of public and private food banks has tripled in three years, according to Leslie Jacobs of the mayor's task force, and there seems to be no sign that the trend is temporary. In 1982, the city distributed 1,000 boxes of canned goods a month. The monthly total is now 20,000 boxes, and demand is rising.

Recent surveys indicate widespread health problems related to hunger. Admissions to Cook County Hospital for symptoms of malnutrition have increased 24 percent since last year. The hospital also reported 223 new cases of pulmonary tuberculosis in 1983, a 32-percent increase of a disease associated with hunger. Infant mortality is about 60 percent higher than the national average, officials said, a statistic showing the effects of chronic undernourishment.

In all, more than 400 pantries, soup kitchens and shelters are operating in the city. Most are in depressed neighborhoods of traditional, frame duplex houses among factories and warehouses that have long since shut their doors.

In the ethnic enclaves beyond the financial and commercial district, life's threadbare circumstances cannot be avoided. One is the area around St. Thomas of Canterbury Roman Catholic Church on the North Side, a neighborhood of overlapping ethnic groups, where Vietnamese, Guatemalans, Laotians, Mexicans and Puerto Ricans live.

In June, the church pantry's volunteers and paid staff served meals to 300 people twice a week on a regular basis, according to Michael Cornack, the assistant director. By September, they were serving 1,000. Now, the number is 1,300.

The pantry's food packages contain canned goods, evaporated milk, cereals, honey, dried milk, butter and other staples donated by local corporations and residents, or from federal and local assistance programs.

Richard Knapp, who works with the pantry's food program, said the number of people dependent upon the pantry has risen fivefold in the five years he has been associated with the program.

Among those who stopped by recently were Mrs. Racy, whose husband died in October. She rents two rooms in a small hotel nearby, paying \$230 a month of her \$314 monthly widow's stipend, her sole income. In the past decade "I've had four mental breakdowns," she said. Unable to work, she finds it difficult to get by on her income.

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U.S. Panel Endorses Plan to Destroy Chemical Arms, Urges Fast Action

By Philip M. Boffey

New York Times Service

WASHINGTON — A private panel of scientific and technical experts has endorsed the U.S. Army's plan to destroy most of its vast, aging stock of chemical weapons by incineration, but it urged that it be done as soon as possible to reduce any risk that leaks or explosions might endanger the public.

The panel of the National Research Council cited estimates that it could cost \$2 billion to \$4 billion and take 10 to 20 years to destroy 90 percent of the stockpile.

"There is a huge amount of this stuff," said Robert W. Buchheim, a former arms control official who is a member of the panel, said in a briefing Wednesday. "This is dangerous material. It was designed to be dangerous."

The council, an arm of the National Academy of Sciences, performs studies for the government under contract. The academy is a private, nonprofit honorary organization of scientists and engineers.

The panel stressed that the stockpiles posed no immediate hazard, and it praised the army for its care and competence in monitoring and maintaining the weapons. But it said that most of the weapons stored in the United States were obsolete and some were leaking, so the job of destruction ought to be begun promptly.

Chemical weapons involve use of agents such as mustard or nerve gas, which can be dispersed by a variety of military apparatus.

The council, which had been asked to review the army's latest plans for disposing of the weapons, favored the plan to incinerate the deadly weapons in furnaces that would be built for that purpose. The panel said incineration had proved effective in tests and could be used to destroy the whole range of agents.

It noted that ocean dumping had been banned by Congress, that chemical neutralization was complicated and required a different process for each weapon, and that nuclear explosions posed "great geographic and political hurdles."

The chemical weapons are stored at army depots in Anniston, Alabama; Pine Bluff, Arkansas; Pueblo, Colorado; Newport, Indiana; Richmond, Kentucky; Aberdeen, Maryland; Umatilla, Oregon, and Tooele, Utah, as well as at the Johnston Atoll, a U.S. territory south of Hawaii, and in Europe.

The panel studied only the eight sites in the United States. Officials indicated that the weapons stored in Europe were presumed to be the least obsolete and were not studied.

The panel found leaks occurring at all of the U.S. sites, but said they were a relatively minor problem. Harrison Shull, chancellor of the University of Colorado and head of a group that assessed the condition of the stockpile, said at the briefing Wednesday that leaks occur "relatively very infrequently," numbering in the dozens or at most 100, leaks a year.

The panel found no evidence that the rate of leakage or deterioration was accelerating or presented any urgent public health problem, but it called for immediate destruction of the weapons to avoid future problems.

Paid for by the army, the panel's \$400,000 study was the first comprehensive look at the range of U.S. chemical weapons by a nongovernmental organization since a similar study 15 years ago.

The panel was headed by Norton D. Zinder, professor of genetics at the Rockefeller University, formerly of the Rockefeller Institute for Medical Research, in New York City. The panel included 34 other experts from industrial, academic or military backgrounds.

Mr. Zinder, the chairman, said his group was "extremely skeptical" when it started, but found that "the army is to be congratulated for doing a very fine job of maintaining these awful weapons."

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Recent surveys indicate widespread health problems related to hunger. Admissions to Cook County Hospital for symptoms of malnutrition have increased 24 percent since last year. The hospital also reported 223 new cases of pulmonary tuberculosis in 1983, a 32-percent increase of a disease associated with hunger. Infant mortality is about 60 percent higher than the national average, officials said, a statistic showing the effects of chronic undernourishment.

In all, more than 400 pantries, soup kitchens and shelters are operating in the city. Most are in depressed neighborhoods of traditional, frame duplex houses among factories and warehouses that have long since shut their doors.

In the ethnic enclaves beyond the financial and commercial district, life's threadbare circumstances cannot be avoided. One is the area around St. Thomas of Canterbury Roman Catholic Church on the North Side, a neighborhood of overlapping ethnic groups, where Vietnamese, Guatemalans, Laotians, Mexicans and Puerto Ricans live.

In June, the church pantry's volunteers and paid staff served meals to 300 people twice a week on a regular basis, according to Michael Cornack, the assistant director. By September, they were serving 1,000. Now, the number is 1,300.

The pantry's food packages contain canned goods, evaporated milk, cereals, honey, dried milk, butter and other staples donated by local corporations and residents, or from federal and local assistance programs.

Richard Knapp, who works with the pantry's food program, said the number of people dependent upon the pantry has risen fivefold in the five years he has been associated with the program.

Among those who stopped by recently were Mrs. Racy, whose husband died in October. She rents two rooms in a small hotel nearby, paying \$230 a month of her \$314 monthly widow's stipend, her sole income. In the past decade "I've had four mental breakdowns," she said. Unable to work, she finds it difficult to get by on her income.

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ively very infrequently," numbering in the dozens or at most 100, leaks a year.

The panel found no evidence that the rate of leakage or deterioration was accelerating or presented any urgent public health problem, but it called for immediate destruction of the weapons to avoid future problems.

Paid for by the army, the panel's \$400,000 study was the first comprehensive look at the range of U.S. chemical weapons by a nongovernmental organization since a similar study 15 years ago.

The panel was headed by Norton D. Zinder, professor of genetics at the Rockefeller University, formerly of the Rockefeller Institute for Medical Research, in New York City. The panel included 34 other experts from industrial, academic or military backgrounds.

Mr. Zinder, the chairman, said his group was "extremely skeptical" when it started, but found that "the army is to be congratulated for doing a very fine job of maintaining these awful weapons."

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After Years of Economic Deterioration, Tanzania Begins to Retreat From Socialism

By Glenn Frankel
Washington Post Service

DAR ES SALAAM, Tanzania — Seventeen years after it embarked on one of the Third World's most ambitious socialist experiments, the government of Tanzania has begun to retreat to a more pragmatic model in an attempt to salvage its rapidly deteriorating economy.

Battered by a series of setbacks, including declining food production and a gaping shortage of foreign exchange that has virtually cut off the country from desperately needed essentials such as gasoline and spare parts, the government has embarked in recent months upon a series of painful economic reforms that Western analysts here say are a first step in a new direction.

It has increased prices paid to farmers for crops while at the same time eliminating many price controls and subsidies for food consumers. It has encouraged private investment and relaxed its grip on companies seeking to import goods. It also has announced a program to drastically reduce the size and power of the country's more than 300 bloated and mismanaged state-run companies, known as parastatals.

Along with these measures, the government is reopening negotiations with the International Monetary Fund for a loan to ease its foreign exchange crisis.

Tanzania has been among the IMF's most vocal critics. A 1980 Tanzania loan arrangement with the IMF collapsed only three months after it took effect because of a dispute over Tanzania's performance in meeting stipulated conditions.

The impact of some of these steps already is

apparent on the streets of this port city. Many shops had been empty, due to chronic shortages of food, soap, matches and other staples. Other goods had vanished from many shops into the country's large black market. Now, much has reappeared in stores, although at prices three times higher than before.

All of these moves mark a major step away from longtime policies. Western diplomats contend that the government's program, first announced in a budget speech to Parliament by Finance Minister Cleopas Msuya in June, represents a triumph for a new generation of pragmatists who have come to power in many of Tanzania's ministries and who think the country of 20 million people must make dramatic changes to survive.

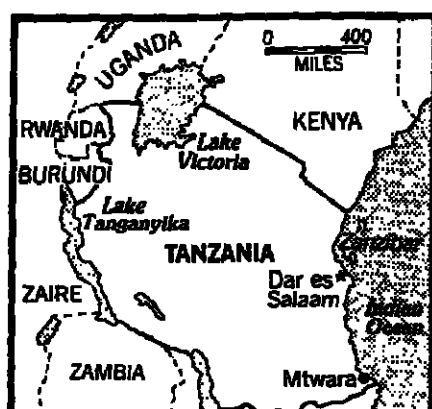
Officials deny the new policies mark a break with socialism.

"We've been living beyond our means," Mr. Msuya said in a recent interview. "Cutting costs is neither socialism nor capitalism, it's just common sense." But, he added, "those who are realists can see that the country is moving in a new direction."

While the pragmatists are directing policy for the moment, however, knowledgeable Tanzanians say the struggle over the country's direction is far from over.

The state companies are an entrenched source of power and patronage, and their directors are usually tightly linked to the leadership of Tanzania's only legal political party, the Chama Cha Mapinduzi or "revolutionary party." They are expected to put up a stubborn and spirited fight against cutbacks.

The real battle to take place is the struggle



The Washington Post

over the parastatals," said an aide to Prime Minister Salim Ahmed Salim.

Efforts to reach an accord with the IMF also are fraught with uncertainty. Many Tanzanians, including several influential members of President Julius K. Nyerere's inner circle of advisers, think the country has done all that can be expected in terms of austerity measures and they plan to resist any further demands from the fund.

Diplomats, however, expect the fund will insist on a further currency devaluation and cuts in the government budget, which is to rise 15 percent this year, largely due to increases in minimum wages designed to offset some of the loss of food subsidies.

Just last week, in his role as the new chairman of the Organization of African Unity, Mr. Nyer-

ere said that African nations should refuse to pay foreign debts to force creditor nations to negotiate a more just world economic order.

Tanzania's economy has been crippled by lack of foreign exchange. Its factories operate at 20 percent to 30 percent of capacity and more than half its fleet of trucks and tractors are idle.

In a confidential report three months ago, the World Bank said Tanzania's economy was in a state of "decapitalization" and consuming its "own capital stock." The report added: "This process is under way in every sector and in every region of the country. It is the very opposite of development."

Shortages have fueled both a thriving black market and increasing official corruption, which is aggravated by the fact that Tanzania's civil servants are among the lowest paid in the world. Bribery and payoffs are often expected for even the smallest of government services, a marked contrast from a decade ago when Tanzania boasted one of the most idealistic and politically committed bureaucracies in Africa.

Those were the heady days when Mr. Nyerere, one of black Africa's longest ruling leaders and its foremost apostle of socialism, launched Tanzania down the road of socialist transformation.

Some of the results have been impressive. Tanzania boasts free universal primary education, a 70-percent adult literacy rate, health clinics within walking distance of each of its 8,300 villages and clean water facilities for 30 percent of them. The country's life expectancy has increased by a decade during the last generation and its infant mortality rate has fallen by a third.

But many of these achievements are being undermined by the country's economic collapse. A 1982 World Bank report said more than half the country's clean water facilities had broken down because of shortages of diesel fuel and spare parts for pumps. A recent study of rural health clinics found most lacked soap, thermometers and medicines.

Western diplomats and an increasing number of Tanzanians think that the country's relentless drive toward centralization of power and decision-making have been a major cause of problems in a nation lacking the skilled manpower needed to operate a large and cumbersome socialist apparatus.

Even Mr. Nyerere has conceded in recent interviews that the 1972 abolition of local governments and the scrapping of local cooperative unions in favor of parastatals in 1976—all done in the name of centralized planning—were major mistakes.

So, too, was the neglect of Tanzanian agriculture, source of most of the country's exports and of employment for 85 percent of the population.

A combination of drought and questionable policies has forced Tanzania to import 836,000 tons of grain over the last three years and Mr. Msuya in his budget speech conceded the situation for the next year "looks grim."

Some diplomats say the government will need at least 230,000 additional tons, about 10 percent of its total needs. Others contend that Tanzania can grow enough food to feed its entire population, but that lack of roads and functioning transport make it either impossible or prohibitively expensive to move the food from surplus regions to those hit by drought.

The Tanzanians have embarked on a program to increase food production by raising prices to farmers, and improving delivery of needed essentials. A key part of this is the pruning of the parastatals that have enjoyed a monopoly over agriculture in recent years. Many of their functions are supposed to be handed over to the revived small cooperatives.

Mr. Nyerere appears firmly committed to cutting back the parastatals and has entrusted the task to Tanzania's senior cabinet member, former Finance Minister Amir Jamal.

At the same time, however, the government is likely to keep a tight grip on the new cooperative source of power and a political threat. Many diplomats expect the party to insist on the power to select officials of the cooperatives, which could have the unfortunate result that they, like the present parastatals, would represent the interests of bureaucrats in Dar es Salaam more than those of peasant farmers.

There were widespread fears among officials of food riots when the subsidies were scrapped in June and prices began to rise but the population has remained calm, perhaps partly because many were already paying the higher prices on the black market.

Finance Minister Msuya pleaded for Western aid donors and lenders such as the IMF not to force Tanzania to choose between bankruptcy and policies that would plunge the country into social unrest. Alluding to food riots this year in Tunisia and Egypt, Mr. Msuya said: "Our African states are very fragile. We have to be extremely careful that the social fabric does not snap."

MANNESMANN DEMAG

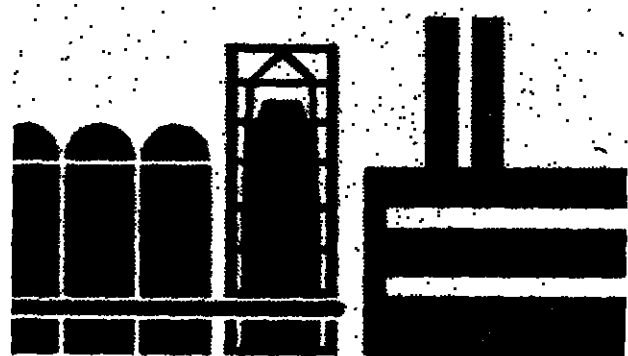
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Mannesmann Demag, your partner with experience in all matters of mechanical engineering and plant construction. With a broad financial base, world-wide sales network and a future-oriented research and development programme for new products.



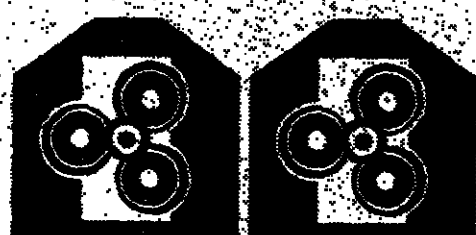
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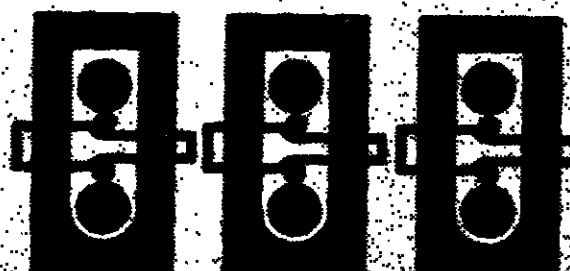
Metallurgical Plant

Integrated plant, blast furnaces, steel mills, continuous casters, electrometallurgical plant.



Pipe Making

Plant and machinery for the production of seamless and welded tubes and pipes. Hydraulic presses.



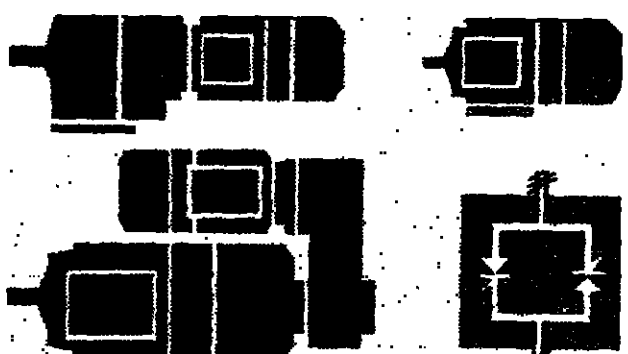
Rolling Mills

Rolling mills for beams, sections and wire rod, strip and sheet mills, strip processing lines.



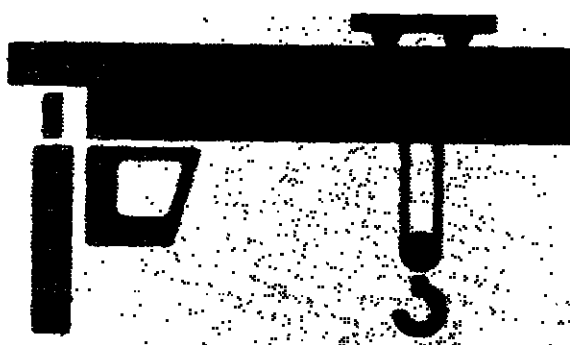
Process Compressors

Centrifugal compressors and positive displacement machines for air and technical gases.



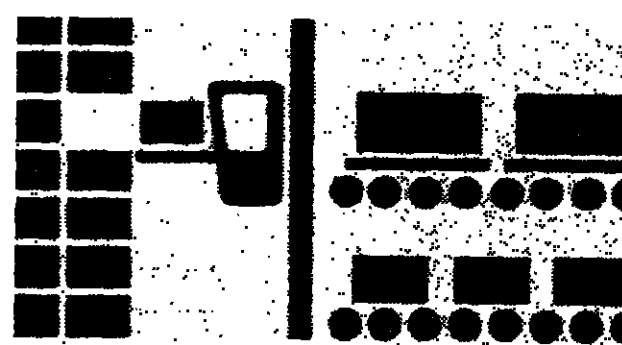
Industrial Drives

Electric drives, control systems.



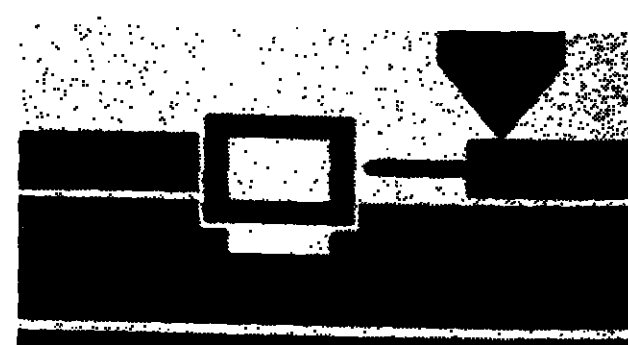
Cranes and Lifting Appliances

Serial lifting equipment, crane components, cranes, electric suspension track systems.



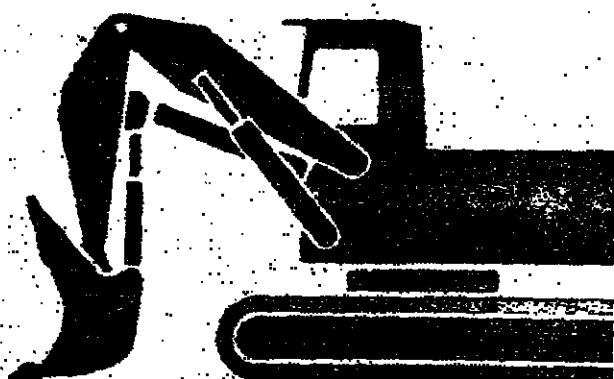
Systems Engineering

Warehouse engineering, warehousing systems, handling and distribution systems, integrated materials handling systems.



Plastics Machinery

Machinery and complete systems for injection moulding.



Construction Equipment

Hydraulic excavators up to 21 m³ bucket capacity, mobile cranes up to 1,600 t, road finishers up to 12.5 m paving width.



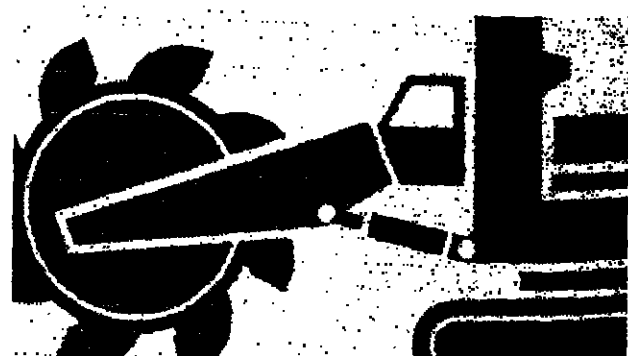
Mining Equipment

Shaft winding equipment, tunnelling machines, shaft drills, raise cutter heads, compressed air motors.



Pneumatic Systems

Compressors, pneumatic tools, equipment and components for the building trade and industry in general.



Open-cast mining and bulk handling

Bucket wheel excavators, stackers, reclaimers, belt conveyor systems, ship loaders and unloaders.

Curfew Resumes in Sri Lanka to Prevent Rioting

United Press International
COLOMBO, Sri Lanka — A nationwide curfew was reimposed on Thursday to prevent civilian attacks on the Tamil minority following a Tamil guerrilla raid on a police station Tuesday.

An earlier curfew ended at dawn Thursday, but the national security minister, Lalith Athulathmudali, said the curfew would resume later in the day after people had had time to stock up on food and other provisions. When news of the extended curfew spread through the capital shortly after daybreak, residents began scurrying to stores, where long lines formed.

Heavily armed policemen patrolled the streets and most stores were shut by noon. A national holiday was declared for banks, schools and most government offices. No violent incidents were reported overnight Wednesday.

"Some may think we're overreacting," Mr. Athulathmudali said, "but we want to take every precaution. This is a precautionary measure."

At least 29 people were killed Tuesday, when more than 250 Tamil guerrillas with explosives and automatic weapons launched an attack that destroyed a police station at Chavakachcheri, 200 miles (324 kilometers) north of Colombo.

In the capital, a crowd of majority Sinhalese set fire on Wednesday night to a grocery store, owned by a Tamil family, in retaliation for the police station raid, police said. No one was hurt. In one area of Colombo, police fired tear gas Thursday to disperse a crowd near a train station, witnesses said.

Giving the government's first account of Tuesday's attack, a senior official said at a briefing Wednesday that more than 250 separatists took part in the assault. It was the biggest guerrilla attack since 1976, when the Tamil struggle began for a separate state in northern Sri Lanka. Tamils make up about 13 percent of the population.

In July 1983, a guerrilla attack in which 13 soldiers were killed touched off 10 days of anti-Tamil riots during which more than 550 people died.

The senior official said Tuesday's incident began when a teen-age Tamil boy approached a sentry post at the station saying he wanted to report a lost identification card. As the sentry opened the gate, about 35 guerrillas rushed the compound. At the same time, two more groups attacked the compound from other directions.

As a gunfight raged, several more rebels drove into the

compound in a stolen truck, jumped off and began placing explosives around the station, the official said. The guerrillas withdrew shortly before a blast leveled the buildings.

Pope Urges 'Dialogue'

Pope John Paul II appealed Thursday for an end to the ethnic violence in Sri Lanka as he received the credentials of the country's new ambassador to the Holy See. The Associated Press reported from Rome.

Speaking to Ambassador Daluwatmulle Gamage Bandusena de Silva, the pontiff recalled his remarks in July 1983, when he said the Christians in Sri Lanka "certainly shall not fail to contribute effectively to the longed-for reconciliation."

"It is my ardent prayer that such a dialogue will proceed with success," John Paul said, "and that the Sri Lankan history of respect and mutual acceptance among different religious and cultural traditions will prevail over whatever difficulties exist or will present themselves in the future."

The pope said the Roman Catholic Church in Sri Lanka "wishes wholeheartedly to be a source of understanding and peace, of development and tolerance."

Blood Clotter Is Cloned by 2 Labs in U.S.

The Associated Press
LONDON — Scientists at two gene-splicing laboratories in the United States have produced a synthetic blood-clotting substance that may eliminate the risk of hemophiliacs contracting hepatitis or AIDS, the British magazine Nature reported Thursday.

But the substance, clotting factor 8, will not be available to the public until three to five years of experiments and clinical tests have been carried out, the weekly science journal reported.

The magazine, heralding the discovery as "a technical triumph without parallel," reported that the scientists cloned the synthetic clotting factor from natural factor 8 drawn from humans and pigs.

Because it is manufactured rather than drawn from donated blood, the magazine said, the new clotting factor's purity is superior to natural factor 8.

The announcement follows the death last week of Terrence McStay, 33, the second hemophiliac in Britain to die of Acquired Immune Deficiency Syndrome while taking natural factor 8.

The artificial clotting factor was produced at Genentech Inc. in San Francisco and at the Genetics Institute in Boston after several years of work by 19 scientists from Genentech, 14 from the Genetics Institute, 3 from the Royal Free Hospital of Medicine in London and 2 from the Mayo Clinic in Rochester, Minnesota.

"Whatever the commercial interests of those responsible, their fitness will earn full-throated congratulation," Nature's editor, John Maddox, wrote. "Such is the promise of genetic engineering."



President Amin Gemayel of Lebanon, top center, watches an army parade Thursday during a ceremony marking Lebanon's independence from France. Mr. Gemayel is flanked by Prime Minister Rashid Karami, right, and Hussein Hussein, speaker of the parliament.

Gemayel Urges Support for Military As Lebanon Marks Independence

United Press International
BEIRUT — Lebanon marked the 41st anniversary of independence from France on Thursday with a military parade and an appeal to the nation by President Amin Gemayel to help the army unite the nation after nine years of factional warfare.

The celebrations came a day after the Lebanese cabinet approved a timetable to deploy army troops in the greater Beirut area, the volatile Iqlim Kharroub district and the coastal highway leading to Israeli troop lines in southern Lebanon.

"Rallying around the army is a national duty," Mr. Gemayel said. "Each of you is today called upon to help and support the army restore unity to the nation. We should not waste the chances for peace and unity."

Mr. Gemayel thanked the United Nations for its role in troop-withdrawal talks with Israel, which he described as a "new chance to liberate our occupied lands." Israel invaded Lebanon in June 1982.

U.S. Says Soviet Is Still Trying To Tie CIA to Gandhi's Death

New York Times Service
WASHINGTON — The State Department says that the Soviet Union is continuing to publish reports blaming the United States for the assassination of Prime Minister Indira Gandhi of India, despite private admissions by Soviet leaders that the charge is untrue.

In a paper that documents Moscow's efforts to link American intelligence agencies to the assassination, the department Wednesday termed the Soviet press campaign "disinformation."

"These Soviet allegations were made and continue to be made despite explicit statements by Soviet leaders in private that the Soviet Union knows that the United States was in no way involved in Mrs. Gandhi's assassination," the department said.

Mrs. Gandhi was assassinated by two gunmen on Oct. 31. That night, the Moscow radio's world service said the assassins received "ideological inspiration" from the Cen-

Tass Denies Allegations

Tass has denied the State Department allegations, according to an Associated Press report Thursday from Moscow. But Tass repeated allegations that the United States backed the Sikh extremists accused of murdering Mrs. Gandhi.

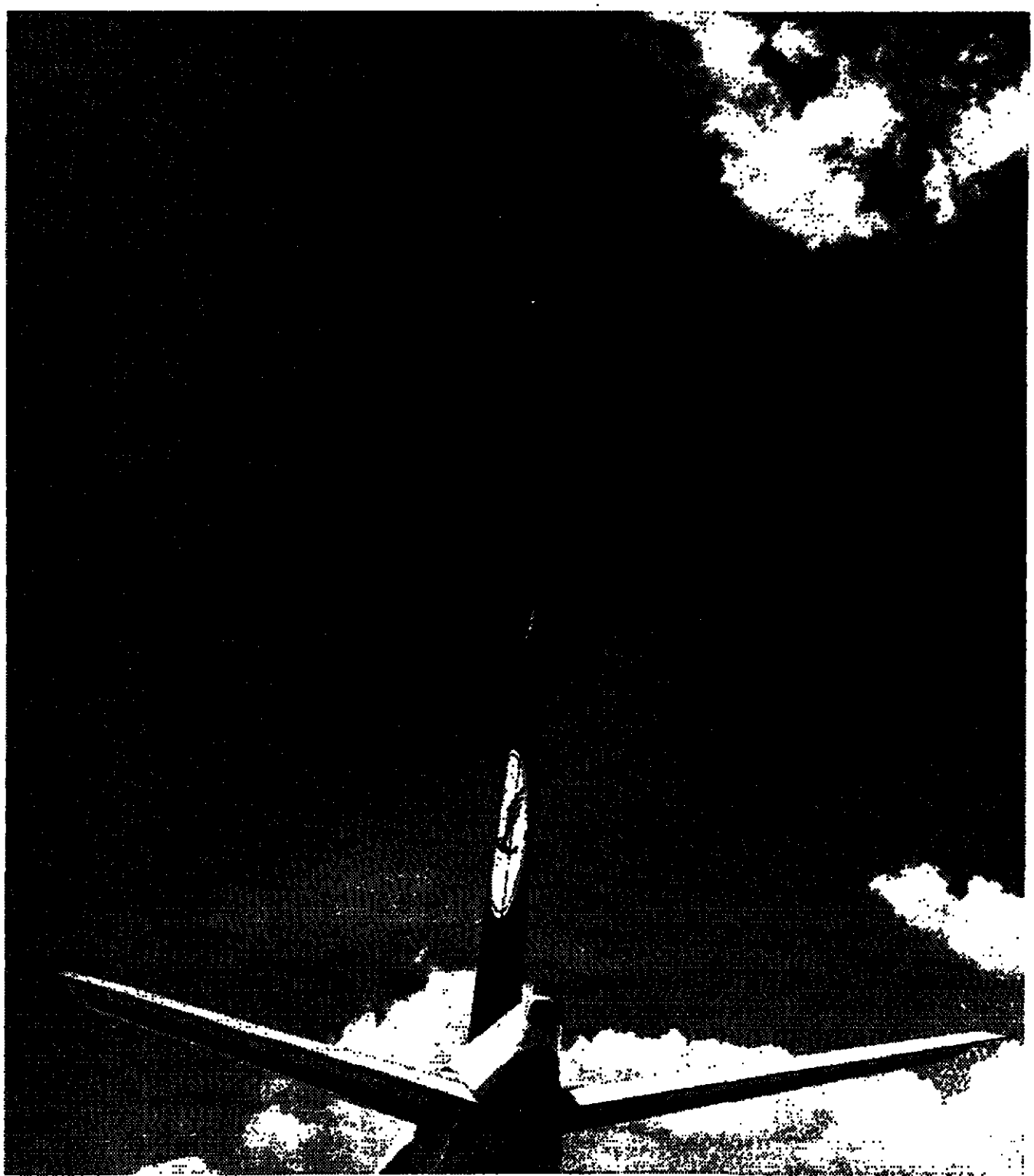
Russians to Honor Gandhi

The Associated Press

MOSCOW — The Soviet Union announced Thursday that it would name a new ship, a school, a cultural center and several other public properties after the late Indian prime minister, Indira Gandhi. It also said that a postage stamp would be issued in her memory.

"I would personally recommend Lufthansa to anyone."

This is an authentic passenger statement.



Famine Aid Surge Shows TV's Power

Film of Starving Ethiopians Reversed Years of Apathy

By Joanne Omang
Washington Post Service

WASHINGTON — For about a month now, Americans have been anguishing over the starving millions in Ethiopia, clogging the mails and telephone lines of relief agencies with a flood of donations. The famine, however, was documented to government and relief agencies two years ago.

The turning point was television. On Oct. 23, NBC aired a BBC film of emaciated children huddled by the hundreds in squalid camps. The pictures were riveting, as only the sight of a starving child can be. The dam of apathy broke at both government and private levels.

The record of the U.S. response to word that millions of Africans might die for lack of food is a lesson in the power of television to galvanize the U.S. public, and thereby to overcome political squabbling in the U.S. government.

Before Oct. 23, food aid to Africa by the U.S. Agency for International Development and private American organizations had been growing, but slowly. Newspapers had run long articles on the dis-

ter. Relief agencies had sent out mass mailings, churches pleaded for donations. Funds trickled in.

In Washington, bureaucrats and politicians had been arguing about helping Ethiopia since it meant aiding a Communist country, one whose leader denounced the United States almost daily.

In Ethiopia, secessionist rebels in areas badly hit by the famine had said that the government of Lieutenant Colonel Mengistu Haile Mariam diverted much of what relief there was to the army.

Colonel Mengistu had spent about \$100 million in September to celebrate the 10th anniversary of the revolution that brought his army to power, and only afterwards did he seem to focus on the famine.

U.S. food aid to Ethiopia in fiscal 1984 was 41,000 tons, valued at \$23 million. Colonel Mengistu called it a pittance, though it was more than any other nation had provided.

Since fiscal 1985 began Oct. 1, five times that amount has been committed. Two-thirds of the 215,000 tons of food, valued at \$98

million, already sent or on the way, was committed after Oct. 23.

Much more is in the works.

The United Nations Food and Agriculture Organization and the Ethiopian government first spelled out the dimensions of the crisis in late 1982.

But television had not yet covered the story, in part because Ethiopia would not grant visas for camera crews.

"It was kind of a low priority with us," said Joseph Angotti, NBC European news director, in a telephone interview from London.

In mid-October, a BBC crew got into Ethiopia. Mr. Angotti said he turned down the BBC's offer to view the film before it was broadcast. Then, he said, he saw it on the London news "and it just knocked us all right through the roof."

But NBC New York refused the story. Other NBC employees said the network was preoccupied with the U.S. elections and bored with the another African famine. But NBC London sent the piece the next day "and it had the same effect there as it had here," Mr. Angotti said. The film ran that night.

"The facts were there for anyone who wanted to see them two years ago," said Representative Howard Wolpe, the Democratic leader of the House African Affairs subcommittee who led a congressional tour to Ethiopia last year. "To say that we were taken by surprise is only to say that we didn't want to see before."

Aid From Britain

An Egyptian airliner landed Thursday in Addis Ababa carrying 40 tons of famine relief valued at 27,000 pounds (\$33,500) paid for by the people of Durham, one of Britain's worst areas of unemployment. The Associated Press reported.

Israel Reports 'Slim Progress' in Talks

Compiled by Our Staff From Dispatches

TEL AVIV — Negotiations on the withdrawal of Israeli troops from southern Lebanon have run into serious difficulty after only four rounds of talks, the head of the Israeli military delegation said Thursday.

Brigadier General Amos Gilboa said that only "very, very slim progress" had been made. He reiterated the Israeli position that United Nations peacekeeping troops should take over the northern zone of the region now occupied by Israeli soldiers, but the area near the Israeli border should be entrusted to the militia known as the South Lebanon Army, which is trained, armed and financed by Israel.

In the talks that began Nov. 8, Lebanon has rejected the continued existence of the militia and proposed deploying the Lebanese Army in the area instead. The issue is one of the most serious obstacles standing in the way of an agreement. The general criticized Lebanon's decision to cut the withdrawal talks from three to two sessions a week. (Reuters, AP)

Egypt Charges 4 in Terror Conspiracy

United Press International

CAIRO — Four men, allegedly hired by Libya, have been charged with conspiring to perform acts of terrorism in Egypt, a charge that carries the death penalty.

The four men — two Britons and two Maltese — also were charged on Wednesday with "criminal complicity to commit murder" and "receiving payment" for carrying out subversive acts in Egypt.

The leader of the group, Anthony William Gill, 48, of Britain, told the newspaper Al-Ahram on Thursday that he had been "extremely

foolish and stupid to get involved with the Libyans in any form."

"I was under great pressure from the Libyans to carry out this mission," he said.

The authorities said the four men were charged after they had confessed. They were arrested Saturday after a plan to kill Abdel Hamid Bakoush, a former Libyan prime minister who has lived in Egypt since 1977, was foiled by the Egyptian authorities.

Mr. Bakoush said in an interview published Wednesday that the Libyan leader, Colonel Moammar Qadhafi, wanted to kill him because

he had documents proving the Libyan leader seized power in 1969 with U.S. backing and weapons.

Libyan Denial in India

Libya has categorically denied involvement in a plot to assassinate Prime Minister Indira Gandhi. Reuters quoted a spokesman for India's External Affairs Ministry as saying Thursday, Mrs. Gandhi was killed by two Sikh bodyguards on Oct. 31.

Egypt's Middle East News Agency said earlier this week that Colonel Qadhafi financed a plot to kill Mrs. Gandhi and was backing plans to kill other world leaders.

THALASSA
de Jean Lassale s.a.
Genève



Elegance that spans the roughest seas

J
JEAN LASSALE



Lufthansa
German Airlines

Strikers Burn Barricade in Yorkshire to Bar Workers



A black and white photograph of a vintage IBM PC system. It includes a CRT monitor displaying a text-based menu, a horizontal system unit with a floppy disk drive, and a full-sized keyboard. The monitor screen shows a menu with options like 'Main', 'Data', 'Print', 'Exit', and 'Help'. The system unit has a single 5.25-inch floppy disk drive on the front. The keyboard is a standard IBM model with a numeric keypad.

ITT XTRA™
PERSONAL COMPUTER

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Giving After Thanksgiving

What does it mean to celebrate food in America while African children starve before our eyes on television? It can mean feeling smug about American bounty and pained about the unfavored. It can mean feeling pious about American religions and politics, and disdainful of less productive ideologies. It can mean feeling guilty about waste, and hastily generous to dispense the leftovers.

For Americans to give thanks for food means celebrating bountiful nature, savvy farmers, brilliant chemists, excellent roads and a most efficient marketplace. Food is no longer just the product of sun and rain but the product of an enterprise so complex that it defies easy comprehension, and export.

Africa proves the point. If you are moved by pictures of skeletal children and parched lands, or by the news that millions of Africans are starving, do not think only of a hostile environment and drought. Yes, there has been too little rain and too much erosion, but there has also been too much civil war in Africa, with food a weapon for all sides. There has been too much urban arrogance in redesigning rural economies and too much ignorance of peasant needs and customs. There has been too much aid misapplied to industry and mechanization. At times there has even been too much free food from abroad, depressing prices

and destroying incentives to grow more at home. For all these reasons, African populations served by better medicine have grown two, three, four times as fast as food output.

Now that famine has struck again, sending more food to Africa is the only response for humane societies. But, except in emergencies, the heaps on American tables and the surplus mounds in American storehouses cannot be effectively shared across the continents.

Food, although the fuel of life, is not a slice of bread to be broken in half: it is a system — of people and laws, schools and tools. Food is the inspiration for creativity, the stimulus for industry, the organizing principle of any society. True generosity means giving others the help they need to achieve such a system — help in comprehending the economics and chemistry of farming, in acquiring seeds and loans, in storing and distributing harvests.

Thanksgiving and famines evoke an impulse to share. But, year after year, in frustration, we have been cutting back on real help. Perhaps the ultimate virtue, beyond gratitude and generosity, is humility: a recognition that all our goodwill and all our food are inadequate to end the suffering before our eyes. Perhaps if we first accept our limitations, we will grow steeper in our strivings against them.

— THE NEW YORK TIMES

America's annual festival of harvest, home and family was first celebrated in New England by people grateful for their community's survival. It was established as a national holiday by Abraham Lincoln in 1863, a time when the nation's survival was in doubt.

In good times and bad since then, it has been customary for the president to issue a proclamation of Thanksgiving each year. But often there are less formal, more moving proclamations of the day's spirit. This year's came in a news story by The Associated Press from Yellowknife, one of the towns along the west coast of Canada's Hudson Bay inhabited by the Inuit (also known as Eskimos).

Twenty-seven years ago, in the winter of 1957-58, the caribou herds ran short and there was famine among the Inuit. Many died. "I was 10 years old; my brother was about 6," said Charlie Panagiotak, a survivor of the famine. "When the police plane came to rescue us we were so skinny the policeman had no trouble lifting us both up at the same time."

The Inuit do not have much today; there are never really any flush times where they live. But they are not starving to death. When they saw the television reports on famine in Ethiopia, they remembered the winter of 27 years ago. "I hurt for those people," said Mr. Panagiotak. "My brother was skinny like that and my mother, my father. My little sister was better off because my mother could feed her, but the rest of us were under the snow, with only our heads showing, waiting to die."

The Inuit in these communities have in recent weeks donated thousands of dollars to African relief. Mr. Panagiotak's town has given a thousand. In Rankin Inlet, a town of 1,300, contributions of \$6,000 were made during a weekend telethon. "We collected 400 pounds in pennies," said Edward Kahlugog, coordinator of the project. "That's the life savings of probably every kid in Rankin Inlet."

Such are the authors of the Thanksgiving proclamation of 1984.

— THE WASHINGTON POST

That Deficit Is Growing

How quickly the bloom has faded from the Reagan administration's rosy economic forecasts. It is barely two weeks since election day and two vital statistics have had to be radically revised. The deficit will be much larger than advertised and economic growth will be much slower. The public deserves one more surprise — some sign that the administration recognizes the problem thus created.

Until the election the White House stood by its last official estimate, from August, that the fiscal 1985 deficit would be \$172 billion. "Everybody who reads the newspapers" knew it would be larger, says a spokesman now. Really? And also that it would balloon to a new record? The new deficit number is \$210 billion.

Some part of the deficit's growth, of course, is attributable to the slowdown. "Everybody" has indeed known all year that the pace had to slacken, and there was no cause for alarm when it did. From an unsustainable peak of 10.1 percent last winter the annual growth rate of the gross national product dropped to 7.1 percent in the spring quarter and still further

during the summer. But the extent of the summer slowdown has twice been substantially revised. The initial estimate of 3.6 percent has now been cut almost in half, to 1.9 percent.

Activity is still expected to pick up next year, but few economists subscribe to the administration's confident assumption of 4-percent growth for several more years. That assumption was the basis for President Reagan's statement in the first debate with Walter Mondale that eventually the tax collections from a prospering economy would overtake federal spending and wipe out the deficit without a tax increase. It sounded like wishful thinking then and it sounds preposterous now.

The Reagan administration began its first term with wildly optimistic forecasts to justify huge tax cuts and military increases. The last four years should be a lesson. No foreseeable economic growth or cutbacks in non-defense spending can bring the deficit under control. The planners of the second term need to show that they have learned from the first.

— THE NEW YORK TIMES

Other Opinion

A Settlement Soon in Angola?

After a series of meetings involving Angolan, South African and American officials, President José Eduardo dos Santos of Angola has implied that he would be happy if most, possibly all, Cuban troops left his country. For their part, the South Africans, for whom such a withdrawal is a sine qua non of a settlement in Namibia, have made it clear that they could leave that country in a matter of weeks.

On the basis that a settlement which ignores UNITA is not feasible, it is suggested in some quarters that a deal is being, or even has been, worked out to bring the government of President dos Santos and UNITA together in a sort of coalition. Though such arrangements have of course never worked in post-colonial Africa, it is not inconceivable that the parties might at least temporarily throw themselves into such a compact if the time were right. The question is whether President dos Santos and his government are so concerned about the destruction of their country that they will share their power

with UNITA, whose leader, Jonas Savimbi, would presumably sooner or later gobble them up. If these are the terms, one wonders whether the Angolan government will not prefer for the time being to keep things as they are.

— The Daily Telegraph (London)

Trying to Deal With Qadhafi

France is squirming in embarrassment after having been duped by Colonel Qadhafi's false promise to withdraw all Libyan troops from Chad. When Libyan troops threatened to overthrow Chad's president last year, President Mitterrand turned down Reagan administration offers of assistance. Now we see the makings of another French accommodation with Colonel Qadhafi. But, of course, this will solve nothing. Until Western nations find the courage to isolate a Libyan regime that revels in state-directed terrorism, subversion and outright invasion, the whole North African region will remain in turmoil.

— The Baltimore Sun

FROM OUR NOV. 23 PAGES, 75 AND 50 YEARS AGO

1909: U.S.-Canadian Tariff Friction
NEW YORK — The American newspapers some time ago were full of more or less complimentary references to the supposed necessity of applying the maximum schedule of the new tariff to Canadian imports unless Canada made overtures in a proper spirit for the purpose of avoiding such a disaster. The Dominion Parliament, now in session, shows not the slightest disposition to go to Washington cap in hand. Apparently there is little prospect of Canada abandoning the export duties on lumber and other products which are badly wanted in this country, and the maintenance of which, it is contended by the Washington Government, constitutes a discrimination warranting the application of the maximum tariff on Canadian goods entering the United States.

1934: Yugoslavia Accuses Hungary
GENEVA — Charging Hungarian complicity in the murder of King Alexander at Marseilles [on Oct. 9], Yugoslavia invoked the Covenant of the League of Nations [on Nov. 22] in a letter demanding action by the Council on a "situation which seriously compromises relations between Yugoslavia and Hungary." "This is not the case," said the Yugoslav letter, "of a political murder which is the work of an isolated individual. The question involved is that of drilling and training on territory of a foreign state of professional criminals intending to commit a series of outrages and assassinations for a specific political purpose. The facilities and protection enjoyed by the criminals on Hungarian territory during their long and careful preparation are hardly credible."

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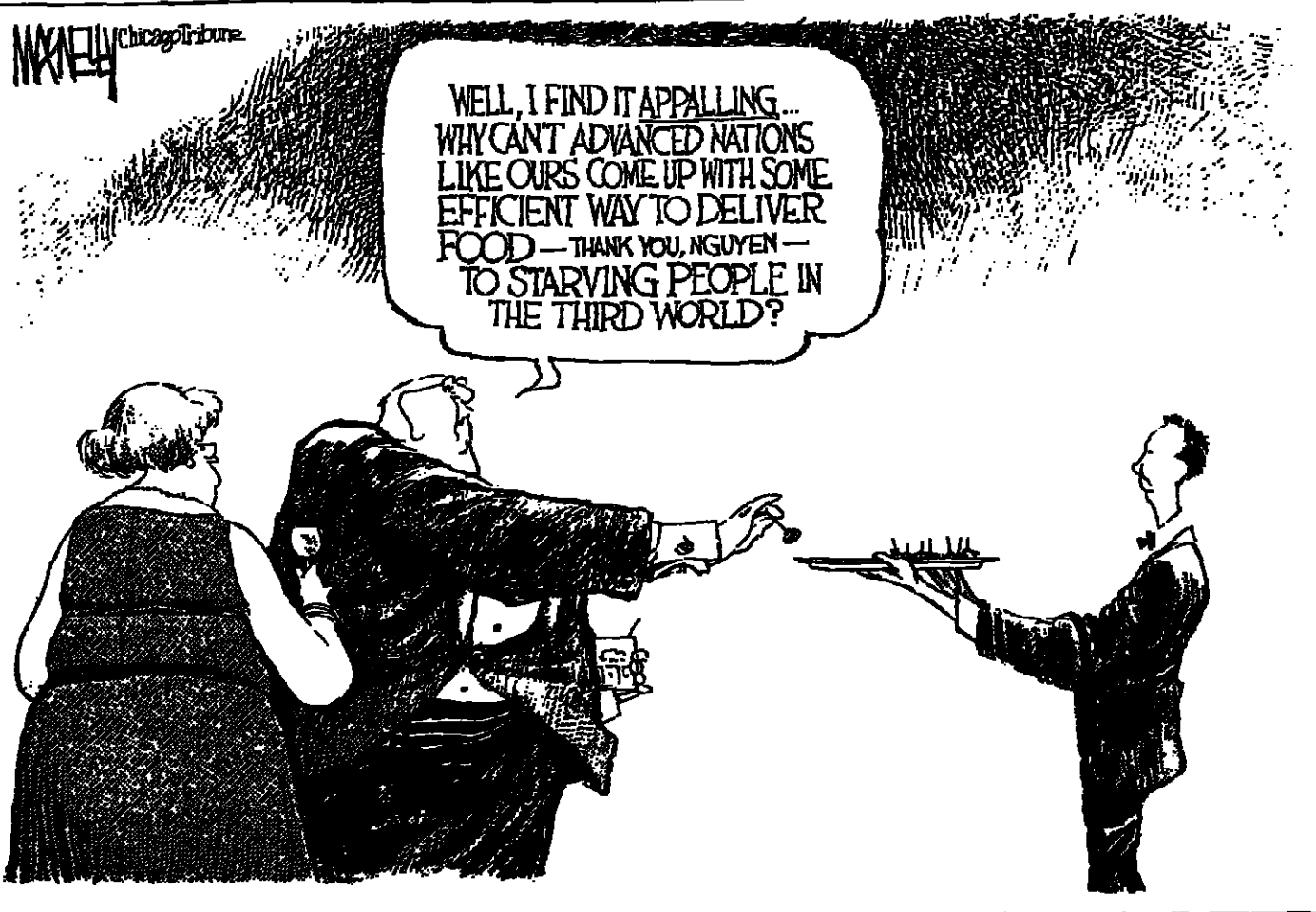
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Criticizing Public Figures Is an Old American Way

By Walter Schneir and Miriam Schneir

PLEASANTVILLE, N.Y. —

Everyone knows that media attacks on public officials are sometimes unfair, dishonest, careless, mean-spirited and self-serving. But a public official who claims that he or she was maligned by critics and seeks redress in court must meet a standard of proof more stringent than that faced by a private citizen.

This standard, set by the U.S. Supreme Court in *New York Times Company v. Sullivan*, requires an official to show that defamatory statements about his or her conduct in office were false and were made with reckless disregard for the truth. Why does American society recognize a need to accord critics of public officials an extreme measure of protection? Given the libel suit by General William Westmoreland, and the like-

appointed British officials in 18th century America. The best-known case is that of the newspaper editor John Peter Zenger, charged with libel for his scathing articles about the imperious Governor William Cosby. There were numerous other cases.

Americans responded to British libel actions by reprinting essays on "liberty of the press" from a British book, "Cato's Letters," that was the patriotic political bible. A frequently quoted Cato observation was: "What are usually called libels undoubtedly keep great men in awe, and are some check upon their behavior. . . . It is certainly of less consequence to mankind that an innocent man should be now and then aspersed than that all men should be enslaved."

Those defiant struggles bred a peculiarly American style of freedom of expression: uninhibited, with no holds barred — a style appropriate to a proud, self-governing people. In 1782 the Frenchman Hector Crève-

coeur, defining "What is an American," wrote that as citizens "they will carefully read the newspapers, enter into every political discussion, freely blame or censure governors."

Reporting public issues in the post-Revolutionary period, newspapers were often intelligent, thoughtful and informative. But they could be scurrilous, accusatory and intemperate. Their impudence reflected a belief that all power derived from the people, that public officials were public servants. This was the press that the nation's founders knew when they ratified the First Amendment.

Such a press was not to everyone's liking. In 1798 Congress passed the Sedition Act to muzzle boisterous Republican newspapers that were heaping invective on Federalist leaders. The weapon used was the long-fought doctrine of seditious libel. The first person arrested, a Vermont editor, was jailed for publishing a letter libeling John Adams. James

Madison declared that the Sedition Act was directed "against that right of freely examining public characters and measures, and free communication among the people," which is the "only effectual guardian of every other right." The act was allowed to lapse and Thomas Jefferson pardoned those convicted under it.

There is a subject of libel and public officials rest, as far as the Supreme Court was concerned, for 163 years. Then came the libel suit of L.B. Sullivan, a Montgomery, Alabama, city commissioner. Now, with the Westmoreland case, comes the first suit by a high federal official against critics of his conduct in office.

A debate is stirring over whether the decision in *New York Times Company v. Sullivan* went too far or not far enough. How that debate is resolved will reveal much about what America has become.

The writers are preparing a book on the Westmoreland libel suit. They contributed this to *The New York Times*.

Sharon and Westmoreland vs. the Media

By William Safire

WASHINGTON — A former U.S. government official who cordially despises Ariel Sharon hopes the former general and Israeli defense minister wins his libel suit against Time magazine, which charged that he encouraged Arabs to massacre Arabs. Why? Because, the official says, somebody has to hold the damnable arrogant and all-powerful Big Media to account when they are wrong.

In the same federal courthouse in lower Manhattan, another member of what regards itself as the maligned military, General William Westmoreland, demands a \$120-million libel judgment against CBS for charging in effect that he cooked the intelligence books in Vietnam. Looking for "Westy" are those who believe that the media must be punished for undermining public support of that war.

I count myself among the minority who hail Arik Sharon for performing the service of dispersing the Palestine

Liberation Organization, and among the majority who now believe that coverage of Vietnam was tilted against General Westmoreland's fight to stop the onrushing tyranny. But I hope both generals lose their pincers movement in the war against the press, and not merely because, to paraphrase Dean Rusk, I'm a member of the press and I'm on our side.

The central issue in both cases is not "What is the truth?" Sorry, the final decision on these innately controversial matters will not be made by a jury in Manhattan. "Encourage" to a Sharon requires active direction, but to a Sharon critic means only a shrug and "conspiracy" is the loosest word in the legal language.

The real issue is: If the charges made are adjudged to be inaccurate or grossly unfair and damaging, should those who made the charges be held to account by law, and be made to pay the damages?

The average fair-minded person would say yes. Here is why I say no, and one reason why I think that the U.S. Constitution says no.

Intent and good faith are central ideas in law and morality. We all make mistakes, sometimes egregious ones, and often with terrible consequences. We punish ourselves inwardly, or suffer obloquy from our fellows or ridicule from the public, but we are not punished by the law because our intent was not malicious.

The general who ordered the Union troops to assault the heights at Fredericksburg, with disastrous results, was relieved and disgraced, but he was not court-martialed. He erred with the intent to win.

The doctor who undertakes a risky operation, the lawyer who gambles on an unorthodox defense to save his client, the businessman who bets the company on a new product — all of them have one great limitation on their liability: If they took their chances in good faith, "if they failed while daring greatly," they may ruin themselves in the profession or the marketplace, but they will face no further punishment in law. The pro-

tection of acting in good faith, with no malicious intent, is what makes decision-making possible.

It applies to all of us. Should the parent or teacher who mistakenly treats a dyslexic pupil as lazy or retarded be held accountable in court for the damage to that child's career? Should a prosecutor and jury and judge who combine to send a man to the electric chair be forced to pay damages if another person later confesses to the crime? Of course not.

Yes, in extreme cases there are grounds for a charge of criminal neglect or abuse of power or malpractice, and civil law casts a wider net than criminal law. But in general society does not hold people accountable for the consequences of actions that were taken in good faith. If we did, the second-guessing in courts would paralyze our power to decide.

That principle applies, with added constitutional force, to a journalist writing a story about a controversial figure or subject. We rarely know the whole truth, but neither that knowledge of our partial ignorance nor the fear of libel attack from an irate subject should stop us from writing as much as is prudent of what we think is the truth that we do know.

In holding to account, intent is central. If Arik Sharon intended to lose Arab murderers on the refugee camps, or if "Westy" Westmoreland intended to deceive his superiors about enemy strength, then the generals should be court-martialed; or if Time or CBS intended to ruin a reputation with no concern for the truth, then those media should pay. But if the generals and the press acted in good faith — as I believe they all did — then the disputes should never have been brought into court.

The New York Times

Letters intended for publication should be addressed "Letters to the Editor" and must contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.



Europeans Could Use A Partner

By Flora Lewis

BRUSSELS — The dialogue between America and its European allies has taken on a plaintive tone. It is not angry argument and recrimination now, nor is it anything like the self-congratulation and surge of confidence that Washington exudes.

"We're scared," a senior European official told a gathering here last weekend. He was not talking about the Russians. He was talking about facing the United States and the Japanese. He was expressing the spreading fear that European democracies will not be able to keep up with the high-tech industrial revolution.

Stagnating economies and sour social climate would make the Europeans all the less able to keep up on ever more costly defenses. But the American response, echoing the failure of President Reagan's re-election, was a tough, uncompromising "Just do it our way." The Europeans gasped.

"We're willing to be more flexible," said another European leader, a staunch conservative, "but if you think we're going to take our societies back to the 1880s you're wrong."

There was a deep polarization on how to look to the future. Almost all the Europeans present — industrialists, politicians, officials — were well to the right in their own countries, but they were astonished at what they saw as American advocacy of return to primitive, untempered capitalism.

Some agree that they overdid the welfare state a bit. Most of them doubt that if they followed American lectures on dismantling large parts of it, deregulating, denationalizing and using the savings for great cuts in taxes, they would face internal upheavals that could endanger everybody's security, including America's.

There is a growing dilemma as the older industrialized countries study America's resilience and recovery. The debate is not acrimonious for now; Europeans are benefiting hugely from the flood of imports absorbed by America thanks to the strong dollar. But they are well aware, and the Americans neglect to mention, that the United States has been able to sustain a monumental budget deficit without inflation and a vast trade deficit without a sharp drop of the dollar only because so much foreign capital keeps pouring in.

No other country could hope for such advantage. No one knows how long America can ride this air cushion, or whether the cushion will gradually deflate or collapse with a crash.

The visiting Americans were surprised to hear that the prime European concern is jobs, rather than profits to spark new ventures or nerves to risk failure. The more candid among them granted that the main effect of high technology was to add wealth, not jobs, but one U.S. businessman said that American industry was being forced to choose among "automation, emigrate or evaporate."

The one recommendation easy for everybody to endorse in the abstract was to make a real Common Market, a space as free of obstacles to economic movement as the domestic United States. But the European Community is going in the other direction now, bogged down in bickering, its vision turned myopic.

That contributes to feeling scared. Like the United States, Western Europe has grown increasingly nationalistic. It no longer feels strong U.S. encouragement to develop into the second "pillar" of the alliance that President Kennedy evoked.

An economically weak Europe would weaken the alliance. It could not afford its share of the costs, and it is not getting U.S. orders that would bolster its defense industries.

Maybe, one Briton speculated, we need a real crisis like the 1930s to shake us up and get us together. That is a horrifying, cataclysmic thought, but it accurately reflects the European feeling of being powerless despite the resources of skill, ingenuity and ambition that could be put to work.

It will take American incentive, not sermons on free enterprise, to spur the energy. There are practical possibilities, especially in defense production. If America offered to share its capacity on condition that the Europeans pooled their efforts, as it required for Marshall Plan aid, lowered military costs would save Americans money. The Europeans would gain technological advance, which should drive them to more effective cooperation in nonmilitary innovation. Otherwise there is little prospect of reducing reliance on nuclear weapons and reviving European confidence.

There is liveliness and ability here, but it will take a renewed sense of America as a partner, not just a self-satisfied protector, to turn "Euro-pessimism" around. The time is ripe for imaginative policy. It would have to come from Washington.

The New York Times

LETTER

Marx Was No Scientist

The controversy over "liberation theology" has been portrayed as one between progressive and conservative forces in the Catholic Church. The "instruction" of Cardinal Joseph Ratzinger primarily concerned the use of Marxism in working out Catholic theology. Liberation theologians see Marxism as a "science" that can be used to analyze Latin America.

For two years I have worked on Marx's texts. I have been invited by a party institute in East Berlin, and have worked with scholars in West Germany. Cardinal Ratzinger is right in saying that there is no science in Marx. Marx thought of his work as a political statement. Almost all the "scientific" claims in his writings are false. Those interested in human rights would be best advised to look elsewhere for a theoretical basis.

MICHAEL KRAFT,
University of Bayreuth,
Bayreuth, West Germany.

TRAVEL

INTERNATIONAL DATEBOOK

AUSTRIA

VIENNA, Bosendorfer Hall (tel: 65.66.51).
CONCERT — Nov. 26: Ro-Mi-Ro Trio (Diabelli, Haydn).
RECITALS — Nov. 27: Otto Niederdorfer piano (Beethoven, Chopin).
 Nov. 28: Gerhard Fenzl piano (Brahms).
 Nov. 29: Lorenz Ewaschko baritone, Jan Wagner piano (Mozart, Schubert).
THEATER — Through November: "The Zoo Story," "Counting the Ways" (Albee).
International Theatre (tel: 31.62.72).
THEATER — Nov. 29 and 30: "Our Town" (Wilder).
CONCERTS — Nov. 24 and 25: Vienna Chamber Orchestra, Herbert Prokofiev conductor (Prokofiev, Purcell).
 Nov. 26 and 27: Alban Berg Quartet (Beethoven, Mozart).
 Nov. 29: Vienna Symphoniker, Jesus Lopez Cobos conductor (Meyerbeer, Faust).
 Nov. 30: Amsterdam Baroque Orchestra, Ton Koopman conductor (Bach, Muffat).
Staatstheater (tel: 53.240).
BALLET — Nov. 27 and 28: "Nutcracker" (Ivanov, Tchaikovsky).
OPERA — Nov. 24: "Tisam und Isolda" (Wagner).
 Nov. 25: "Die Walküre" (Wagner).
 Nov. 29: "Ariadne auf Naxos" (Strauss).
THEATER an der Wien (tel: 57.96.32).
MUSICAL — "Cats" (Lloyd Webber).

BELGIUM

BRUSSELS, Opéra National (tel: 217.22.11).
BALLET — Nov. 24 and 25: "Notre Faust" (Béart, Bach).
Palais des Beaux-Arts (tel: 511.29.95).
CONCERT — Nov. 29: Bergen Philharmonic Orchestra, Edith Volckart violin (Sibelius).
Ghent, Royal Opera (tel: 25.24.25).
OPERA — Nov. 25 and 26: "The Beggar Student" (Müllbacher).
LIEGE, Théâtre Royal de Liège (tel: 23.59.10).
OPERA — Oct. 24 and 25: "Simon Boccanegra" (Verdi).

ENGLAND

LONDON, Barbican Centre (tel: 628.87.97).
Barbican Art Gallery — To Nov. 13: "Impressionism to the Present Day."
 Nov. 15-January: "James Tissot."
Barbican Hall — London Symphony Orchestra — Nov. 22: Pincus Zuker-

man conductor/violin (Rossini, Vivaldi).
 Nov. 27: Pierre Boulez conductor, Jessye Norman soprano (Stravinsky, Berg).
 Nov. 28: English Chamber Orchestra, Philip Ledger conductor/harpichord (Bach, Haydn).
 Nov. 29: John Georgiadis conductor (Beethoven, Mozart).
Barbican Theatre — Royal Shakespeare Company — Nov. 24, 26, 27, 30: "Mother Courage" (Brecht).
 Nov. 28 and 29: "Henry VIII" (Shakespeare).
Royal Academy of Arts (tel: 754.90.52).
EXHIBITIONS — To Dec. 16: "Royal Academy Architecture."
 To Dec. 23: "Modern Masters from the Thyssen-Bornemisze Collection."
Royal Opera (tel: 240.10.60).
BALLET — Nov. 24 and 27: "Vari Capricci," "Young Apollo," "Elite Synchronisations" (Ashton, Bimley).
 Nov. 28 and 30: "Mayerling" (MacMillan).
OPERA — Nov. 26 and 29: "Don Giovanni" (Mozart).
Wigmore Hall (tel: 935.21.41).
CONCERTS — Nov. 24: Nash Ensemble, Anthony Rolfe Johnson tenor (Rossini, Mendelssohn).
 Nov. 25: Allegri String Quartet, Rian de Wael piano (Britten, Dvorak).
 Nov. 30: Paragon Ensemble, Linda Ormiston mezzo-soprano (Mozart, Puccini).

FRANCE

LILLE, Musée des Beaux Arts (tel: 57.01.84).
EXHIBITION — To Jan. 28: "Le Chevalier Jean-Baptiste Wicar."
Opéra (tel: 55.48.61).
OPERA — Nov. 28 and 30: "Così fan tutte" (Mozart).
PARIS, Artcurial (tel: 299.16.16).
EXHIBITION — To Dec. 1: "Tibet, terre du ciel," photographs by Kevin Kling.
Centre Georges Pompidou (tel: 277.12.33).
EXHIBITIONS — To Dec. 16: "Patrick Bailly-Maître-Grand," photographs.
 To Dec. 30: "De Matisse à nos jours."
 To Jan. 28: "Kandinsky."
Galerie Coeur (tel: 326.99.73).
EXHIBITION — To Dec. 24: "Le sieur."
Galerie Nichido (tel: 266.62.86).
EXHIBITION — To Dec. 1: "Shirley Carson."
Librairie-Galerie du Jour (tel: 233.43.40).
EXHIBITIONS — To Dec. 7: "Marine Barrat: La Goutte d'Or," photographs.
Musée d'Art Moderne (tel: 723.61.27).
EXHIBITIONS — To Jan. 6: "Jean Hélion."
 To Jan. 27: "Helmut Newton."

Musée du Louvre (tel: 260.39.26).
EXHIBITION — To Dec. 31: "XVII Century French Drawings."
Musée du Luxembourg (tel: 234.25.95).
EXHIBITION — To Feb. 10: "Hippolyte, Auguste and Paul Flindrin."
RECITALS — Nov. 25: André Krust piano (Schumann, Chopin).
 Nov. 28: Daniel Varsano piano (Schumann, Franck).
Salle Pleyel (tel: 563.07.40).
CONCERTS — Nov. 28 and 29: Orchestre de Paris, Rafael Kubelick conductor (Mahler).
Théâtre de la Ville (tel: 274.22.77).
CONCERT — Nov. 27-Dec. 1: Beaux Arts Trio (Beethoven, Mozart).
Théâtre des Champs-Élysées (tel: 723.47.77).
RECITALS — Nov. 25: Maria João Pires piano (Bach, Beethoven).
 Nov. 27: Fred Snook piano (Bach, Liszt).
Théâtre du Rond-Point (tel: 256.70.80).
RECITAL — Nov. 25: Jean-Jacques Kantorow, Jacques Rouvier piano (Mozart, Schumann).
Théâtre Musical de Paris (tel: 233.44.46).
OPERA — Nov. 24, 28, 30: "La Chauve-Souris" (Strauss).
 Nov. 25, 27, 29: "La Fille de Madame Angot" (Lecocq).

GERMANY

BERLIN, Deutsche Oper (tel: 341.44.49).
BALLET — Nov. 24 and 30: "Les Interminables du Coeur" (Petit, Debussy, Wagner).
OPERA — Nov. 26: "Die Zauberflote" (Mozart).
 Nov. 27: "Aida" (Verdi).
 Nov. 28: "Il Barbiere di Siviglia" (Rossini).
Philharmonie (tel: 548.880).
CONCERTS — Nov. 28: Giuseppe Patané conductor (Stravinsky, Tchaikovsky).
 Nov. 30: Berlin Symphony Orchestra, Boris Iwanov conductor, Tomislav Raynov piano, Lukas David violin (Liszt, Tchaikovsky).
COLOGNE, Oper der Stadt (tel: 21.25.81).
OPERA — Nov. 25 and 29: "Carmen" (Bizet).
MUNICH, National Theater (tel: 22.13.16).
BALLET — Nov. 30: "Papillon" (Offenbach, Lamberti).
OPERA — Nov. 24, 27, 29: "The Queen of Spades" (Tchaikovsky).
Staatsoper (tel: 260.32.32).
BALLET — Nov. 28: "The Creatures of Prometheus" (Beethoven).
OPERA — Nov. 24: "Czar and Carpenter" (Lortzing).
Unterfahrt (tel: 448.27.94).
JAZZ — Nov. 27 and 28: Peter O'Mara Trio.

ITALY

FLORENCE, Teatro Comunale (tel: 21.62.53).
RECITALS — Nov. 26 and 27: Gidon Kremer violin, Oleg Meissenberg piano (Bach, Beethoven).
ROMA, Accademia Nazionale di Santa Cecilia (tel: 679.03.89).
CONCERTS — Nov. 25-27: Orchestre dell'Accademia Nazionale di Santa Cecilia, Carlo Maria Giulini conductor, Pamela Coburn soprano (Mozart).
Auditorium S. Leone Magno (tel: 361.00.51).
RECITAL — Nov. 24: Augustin Dumay violin, Michel Dalberto piano (Beethoven, Strauss).

JAPAN

TOKYO, American Sanjuro Museum (tel: 470.10.73).
EXHIBITION — To Dec. 16: "Stencil Printed Drawings."
Museum of Art (tel: 437.27.87).
EXHIBITION — To Dec. 27: "Japanese Paintings."
Mitsui Theatre (tel: 503.31.11).
OPERA — Nov. 24: "Hansel und Gretel" (Humperdinck).
Toshiba Center Hall (tel: 265.82.11).
DANCE — Nov. 24: Contemporary Dance Association of Japan ("Aino Kajitsu").

MONACO

MONTE-CARLO, Centre de Congrès (tel: 50.93.00).
CONCERT — Nov. 25: Monte Carlo Philharmonic Orchestra, David Zinbarg conductor, Gary Graffman piano (Debussy, Haydn).
Théâtre Princesse Grace (tel: 30.42.27).
EXHIBITION — Nov. 24 and 25: "Ireland and the Irish," photographs by Semas Dall.

PORTUGAL

LISBON, Calouste Gulbenkian Foundation (tel: 73.51.31).
BALLET — Nov. 24: Gulbenkian Ballet ("Vasco Welleskamp New choreography").
CONCERTS — Nov. 29 and 30: Gulbenkian Orchestra, Silvio Perina conductor, Bruno Leonardo Gelber piano (Brahms, Strauss).
RECITALS — Nov. 27: Bruno Leonardo Gelber piano (Beethoven).
 Nov. 28: Clélia Lopes baritone, Hennie Joubert piano (Ravel, Schumann).
St. Carlos National Theater (tel: 36.84.08).
OPERA — Nov. 25 and 27: "Tosca" (Puccini).
RECITAL — Nov. 25: Edward Tarr trumpet, Imtraud Kruger organ (Liszt).

SCOTLAND

EDINBURGH, National Gallery (tel: 556.89.21).
EXHIBITION — To Dec. 21: "Drawings by Allan Ramsay."
Queen's Hall (tel: 668.21.17).
CONCERTS — Nov. 24: Scottish Chamber Choir, Colin Tipler conductor (Mozart, Pachelbel).
 Nov. 25: Scottish Sinfonia, Neil Macleod conductor, Margaret Murray McLeod piano (Bartok, Debussy).
Usher Hall (tel: 228.11.55).
CONCERT — Nov. 30: Scottish National Orchestra, Neeme Eläri conductor, Emanuel Ax piano (Franck, Mozart).

SPAIN

MADRID, Centro Cultural (tel: 275.60.80).
EXHIBITION — Through November: "Malaspina and His Environment."
Teatro Alcala Palace (tel: 435.46.08).
MUSICAL — Through November: "Jesus Christ Superstar" (Lloyd Webber, Rice).
Teatro Monumental (tel: 227.12.14).
MUSICAL — Through November: "Baron" (Coleman, Stewart, Bramble).
Teatro Real (tel: 248.38.75).
CONCERTS — Spanish National Orchestra and Choir — Nov. 24 and 25: Jan Krenz conductor, Konstanty Kadziora violin (Brahms).
 Nov. 26: Jacques Mercier conductor, Pascual Devoyon piano (Beethoven).

THAILAND

BANGKOK, Visual Dharma Art Gallery (tel: 277.40.17).
EXHIBITION — To Nov. 30: "Faces of Thailand."
KANCHANABURI, Festival of the Bridge on the River Kwai (tel: 51.12.00).
EXHIBITION — Nov. 26-Dec. 5: "Construction of Death Railway," sound and light show.

UNITED STATES

NEW YORK, Claude Bernard Gallery (tel: 988.20.30).
EXHIBITION — To Jan. 5: "Jean Ingres: Sculpture and Drawings, 1788-1828."
Museum of American Folk Art (tel: 581.24.74).
EXHIBITION — To Dec. 6: "Erasmus Saltsbury: 1805-1900."
Whitney Museum of American Art (tel: 570.36.33).
EXHIBITION — To Dec. 6: "Flashpoint: The Explosion of Pop, Minimalism, and Performance 1958-1964."

WALES

CARDIFF, St. David's Hall (tel: 275.60.80).
CONCERT — Nov. 26: Oslo Philharmonic Orchestra, Mariss Yansons conductor, Jens Harald Bratlie piano (Berlioz, Shostakovich).
SWANSEA, Braugwyn Hall (tel: 47.00.02).
CONCERT — Nov. 28: Israel Piano Trio.
Grand Theatre (tel: 55.14.11).
THEATER — Nov. 26-30: "Oklahoma" (Rogers & Hammerstein).

Fall Vegetables, Plain and Fancy

by Nancy Jenkins

NEW YORK — Autumn vegetables have a charming sort of plainness. Potatoes and onions, squash and pumpkins, cabbage and the other brassicas like brussels sprouts and broccoli. But it is also a good way to handle diced or sliced turnips, carrots, Jerusalem artichokes and parsnips, or combinations of these vegetables, perhaps with a little chopped ham and minced onion or leeks. With brown rice and a salad, a stir-fried combination makes a good vegetarian meal. Some cooks like to parboil the cut-up vegetables briefly before stir-frying.

Ginger, sesame oil and soy sauce give an Asian flair that is appropriate for many vegetables, but the same stir-frying method can be used with garlic, olive oil and lemon juice, to give a Mediterranean flavor. Or make a compound butter by mashing finely chopped roasted nuts (pecans and hazelnuts are both good choices) with sweet butter and perhaps a spoonful of dark rum or sherry. Add this to stir-fried broccoli or brussels sprouts just before serving.

Baking is a fine treatment for potatoes, both white and sweet. Potatoes should be pricked in three or four places with the tines of a fork before baking in a 375-degree oven. Under no conditions should they be wrapped in aluminum foil, which will cause them to steam rather than bake. If you have a fireplace, try baking potatoes in the ashes for a really fine flavor. Beets, especially larger ones, are also good candidates for oven baking, which seems to emphasize the vegetable's natural sweetness. However, beets take a long time, sometimes as much as two hours, to soften.

It need not be so. Fortunately, nouvelle cuisine, for all its faults, has taught people new ways to appreciate old favorites. The sugar that makes these vegetables so good for the storage cupboard also makes them sweet and flavorful additions to the seasonal table.

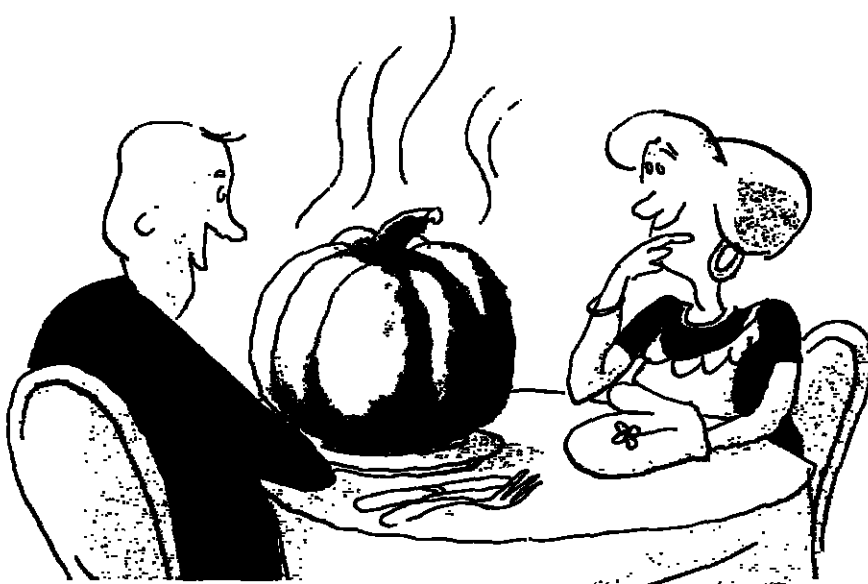
Crisp and fresh from the garden or the market, lightly steamed or stir-fried, baked in the oven or braised in a savory sauce, autumn vegetables can spark the menu and surprise the palate. Many of these vegetables are sturdy enough to stand on their own as entrees or provide the basis for hearty main dish soups.

Other seasonal vegetables are less familiar to the modern table, though their virtues were recognized by our great-grandparents. There is the leek and celery root or celeriac, and knobby Jerusalem artichokes. Quinces, with their fine, astringent applelike flavor, were more important a century ago than they have been in recent years, while, in the United States, chestnuts almost dropped out of the diet after stands of native trees were wiped out in a blight early in this century.

Nowadays, these fruits and vegetables are easier to find, along with the crisp, white bulbs of sweet Florentine fennel, an Italian contribution sometimes called anise because of its refreshing, licorice flavor.

Many autumn vegetables are a good source of low-fat carbohydrates, as long as they are not slathered in butter and bacon fat. Unfortunately, most old recipes call for lots of fat to accompany white and sweet potatoes and autumn squashes.

Modern cooks may find that they can cut the recommended butter or cream in half, or substitute margarine or low-fat yogurt; the fresh taste of the vegetable itself will be more apparent, though it may take a little getting used to. Walnut, almond or hazelnut oil are appropriate seasonings for all the squashes, as well as for turnips, carrots and parsnips.



Sampling Cuban Culture

Continued from page 9

good bolero, with perhaps half an hour of Omara Portuondo, or Elena Burke, the grand dames of "Le Feeling," the 1940s music whose jazz harmonies and sentimental melodies are still popular. José Antonio Méndez, with his hoarse but soulful voice, sings at the Scheherazade just next door.

In the visual arts, a lack of creative freedom is more difficult to disguise. But at last summer's first Cuban Biennial of the Plastic Arts, "socialist realism" was nowhere in sight. The biennial, viewed by 175,000 visitors, brought together the work of artists from 22 Latin American and Caribbean countries, as well as by some Chicanos living in the United States.

Music is perhaps the most easily popularized of the arts, but it is also the most abstract, and the least malleable to the "party line." The New Troubadour movement, which combines poetry and modern harmonies with the traditional Cuban percussion and ballads, sometimes has a political message and many songs have social content. But love, drink and song are the usual topics.

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Primitivist peasant paintings from Nicaragua, with brightly colored harvest scenes, contrasted with white-on-white canvases and geometric patterns submitted from such countries as Brazil and Venezuela. The Cubans, including works by Wilfredo Lam and René Portocarrero, favored an avant-garde surrealism, drawing on African and naturalist influences. Colors ranged from brilliant reds, yellows and Caribbean blues to sophisticated gradations and nuances of tone.

The show's range of color, content and

Or try some good, green extra virgin olive oil on a freshly baked potato.

Many cooking methods are adaptable to a variety of different autumn vegetables. Stir-frying, for instance, is a recognized treatment in Chinese cuisine for cabbage, kale and broccoli. But it is also a good way to handle diced or sliced turnips, carrots, Jerusalem artichokes and parsnips, or combinations of these vegetables, perhaps with a little chopped ham and minced onion or leeks. With brown rice and a salad, a stir-fried combination makes a good vegetarian meal. Some cooks like to parboil the cut-up vegetables briefly before stir-frying.

Ginger, sesame oil and soy sauce give an Asian flair that is appropriate for many vegetables, but the same stir-frying method can be used with garlic, olive oil and lemon juice, to give a Mediterranean flavor. Or make a compound butter by mashing finely chopped roasted nuts (pecans and hazelnuts are both good choices) with sweet butter and perhaps a spoonful of dark rum or sherry. Add this to stir-fried broccoli or brussels sprouts just before serving.

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All the squashes — butternut, acorn, small Hubbard, spaghetti squash and some of the more unusual Asian varieties — respond well to baking. Some cooks bake them whole, first pricking them all over, and split them to serve. Others split them first and bake the halves with butter and a touch of brown sugar or maple syrup.

A favorite fall vegetable is braised red cabbage with chestnuts and bacon, but other strong-flavored vegetables, such as leeks, celery, fennel and brussels sprouts, respond well to this oven treatment in which the vegetable is baked in a covered dish with butter or other fat, garlic and aromatics and a little meat glaze.

A similar treatment, using more liquid and often grated cheese, is the French gratin. It is traditionally used for sliced potatoes baked in the oven with cream or well-flavored stock. But it is also an appropriate treatment for other autumn vegetables. A gratin of thickly sliced pumpkin, flavored with minced fresh ginger and garlic, drizzled with butter and meat glaze, makes an excellent autumn treat.

Since many of these vegetables are excellent sources of vitamin C, which can be destroyed by excessive heat, don't forget to serve them raw in salads.

The first two recipes have been adapted from an old, out-of-print cookbook, recently discovered: "The Gentle Art of Cookery" by C.F. Lyle and Olga Hartley, published in Britain in 1925. The recipes are an example of the kind of careful, thoughtful cooking, with a deep respect for ingredients and fresh.

natural flavors, that was characteristic of English upper-middle-class households.

POTAGE LORRAINE

(Cream of carrot soup)
 This recipe can be adapted for turnips, leeks, broccoli or butternut squash. If using the last, add ¼ teaspoon well-flavored garam masala or curry powder in step 2.

9 medium-sized carrots
 1 medium-sized yellow onion
 3 stalks of celery
 4 ounces of unsweetened butter
 ¼ cup dried white beans, preferably little haricot beans.
 6 cups chicken or veal stock
 1 cup milk or light cream.

1. Scrape the carrots, peel the onion and cut these vegetables and the celery into chunks.

2. Melt the butter in a good-sized stockpot and add the vegetables. Stir and heat in the butter until they are well coated. Add the beans and stir well.

3. Bring the stock to boil in a separate pan and add to the vegetables and beans. Cover and simmer, stirring occasionally, for one hour or more.

4. Remove from heat, let cool slightly and pass the soup through a vegetable mill, or process, little by little, in a food processor until it is a desired consistency.

5. Return to the rinsed-out stockpot and bring to a slow boil. Add cream slowly.

6. Serve immediately, with a pat of butter in each soup plate.

Yield: 4 to 6 servings.
 NOTE: Garnish soup, if desired, with a little chopped parsley or chopped dill.

CREAMED BRUSSELS SPROUTS

This recipe can be adapted for turnips, carrots or Jerusalem artichokes.

1½ pounds brussels sprouts
 1 quart boiling water
 2 tablespoons glace de viande
 1 teaspoon salt
 ½ teaspoon freshly ground black pepper
 ¼ teaspoon freshly grated nutmeg
 1 cup light cream.

1. Trim the brussels sprouts of any loose or yellowing leaves and cut a cross in the stem end of each one. Add them to the quart of boiling water and cook for exactly 7 minutes. Remove from heat, drain and run under cold water to stop the cooking.

2. While sprouts are cooking, bring cream to a boil in a separate saucepan and reduce by boiling to ½ cup.

3. Place the sprouts in a sauté pan with the glace de viande and flavorings. Add the reduced cream and cook over medium heat for 5 minutes, tossing the sprouts in the cream to coat well. Serve immediately.

Yield: 4 to 6 servings.

NOTE: This recipe is improved by the addition of 1 tablespoon of strong Dijon mustard to the reduced cream.

CHINESE-STYLE STIR-FRIED BROCCOLI, CARROTS AND LEEKS

1 bunch broccoli
 3 medium carrots, scraped
 3 medium leeks, white part only
 1 tablespoon peanut oil
 1 teaspoon finely minced garlic
 1 teaspoon finely minced ginger
 2 tablespoons chicken broth
 1 tablespoon sesame seeds
 1 teaspoon light soy sauce
 1 teaspoon sesame oil.

1. Trim the broccoli, discarding thick stems and leaves. Cut into flowerets. Slice carrots and leeks thinly.

2. In a wok or large sauté pan, heat the peanut oil. Add minced garlic and ginger and stir-fry briefly to flavor the oil. Add broccoli, carrots and leeks and toss briefly to mix well. Add chicken broth, cover and cook for 3 minutes over medium heat. Remove cover, raise heat, and cook, stirring constantly, for 5 minutes, until vegetables are tender.

3. While vegetables are cooking, toast sesame seeds in a separate sauté pan until they are golden brown. Set aside.

4. When vegetables are done, add soy sauce and mix well. Remove from heat, turn into a warm serving bowl and sprinkle with sesame seeds and sesame oil. Serve immediately.

Yield: 4 to 5 servings.

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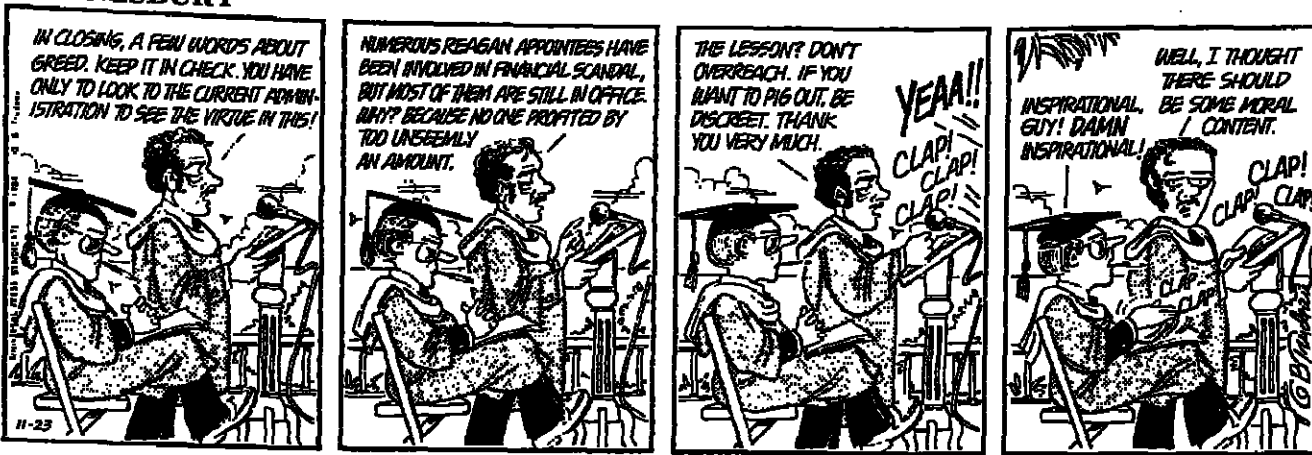
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An Ancient Garden in the Gulf

The land of Dilmun is holy, the land of Dilmun is pure.
In Dilmun no cry the raven utters,
Nor does the bird of ill-omen foretell calamity.
The lion kills not, nor does the ravening wolf
Snatch away the defenseless lamb.
Unknown is the wild dog who tears the kid.
The dove does not conceal its head.
No one here says, "My eyes are sick,"
No one here says, "My head is sick,"
No one here says, "I am an old woman,"
No one here says, "I am an old man,"
The maiden walks here in innocence.
No brawlers need to be poured.
The somber death priest walks not here,
By Dilmun's walls he has no cause for lamentations.

by Paul Lewis

MANAMA, Bahrain — Those words come from one of the world's oldest poems. It was first written down some 4,000 years ago in the ancient Sumerian city of Nippur near the Euphrates, using cuneiform wedge script on a clay tablet.

The poem tells about the doings of the gods at the dawn of time in a sacred island paradise called Dilmun, a place closely resembling the Garden of Eden, where death and sickness did not exist and sweet waters flowed.

Holy Dilmun is mentioned in many other cuneiform writings of that period. The epic hero Gilgamesh goes there to obtain the secret of eternal life from Ziusudra, who alone among mankind survived the Great Flood after building an ark on instructions from Enki, Lord of the Abyss and Ruler of the Sweet Waters Under the Earth.

Gilgamesh dives into the sea with stones attached to his feet and brings up the "Flower of Immortality." In a clear parallel with the biblical story of Adam and Eve, he allows a serpent to eat the flower, cheating mankind of its benefits.

Other ancient records show that 4,000 years ago Dilmun was also a great trading center and the capital of an empire. Yet until 1957, when Sir Henry Rawlinson, a British scholar, discovered how to read cuneiform and the first references to this ancient island paradise were deciphered, the name of Dilmun had vanished from the collective memory of mankind.

That Nineveh, Babylon, Thebes and Ur had all once been great cities was never entirely forgotten because their names are recorded in the Bible, even if little was known about them. But for thousands of years the legend of Holy Dilmun, the island paradise where man lived forever, disappeared.

THE enthralling tale of how Geoffrey Bibby and other archaeologists from the Prehistoric Museum in Aarhus, Denmark, identified the present-day Persian Gulf island of Bahrain as the site of the lost paradise of Dilmun is told in Bibby's book "Looking for Dilmun." It is one of the most gripping archaeological detective stories ever written.

But visitors to Bahrain today can relive Bibby's search for Dilmun with the help of his book, visiting the major excavation sites, inspecting the most important finds and recapturing something of the excitement he felt as the pieces in the puzzle slowly fell into place and the ruins of "lost" Dilmun emerged from beneath his shovel.

Today this tiny, verdant island, with its copious freshwater supplies, still seems a kind of paradise in that parched, bone-dry region of the world. Lying just off the coast of Saudi Arabia, barely 60 miles (100 kilometers) long and 30 wide, Bahrain is the garden of the Persian Gulf, with shady palm groves full of bright-colored birds, fruit and flowers.

At several points around the coast, springs bubble up through the brine from the ocean floor with such force that you can drop a bucket into the sea and pull it up full of fresh water.

It remains a famous center for pearl fishing, where divers still weight their feet with stones just as Gilgamesh did. And how much more beautiful than modern white cultured pearls are the big, lumpy natural ones, with their luminous, greenish hue.

Emerald shoal waters surround the island, and at the end of the last century, Captain Edward L. Durand, an early explorer, described daybreak on Bahrain in terms still true today. Nature, he wrote, seemed to have "exhausted every tint of living green in her paint box; and then, wearying of the effect, splashed a streak of angry purple into the foreground."

But Bahrain has a mysterious side. In the sandy center of the island lies a truly astonishing sight — thousands upon thousands of little hillocks, each about 10 to 15 feet (3 to 5 meters) high and packed tightly together in an unending vista so that at first the visitor thinks they must be a natural phenomenon, like sand dunes. But they are not. The hillocks are man-made grave mounds. Bahrain, the original Garden of Eden, is also an ancient island necropolis.

Bahrain is the only Gulf state that welcomes Western tourists and tries to make them feel at home. Although a Moslem country like other Gulf states, Bahrain is more tolerant than Saudi Arabia or Kuwait. Alcoholic drinks, pork dishes, magazines and books shunned elsewhere in the Gulf are all available in hotels and restaurants frequented by foreigners. Women are permitted to drive, and mixed swimming is allowed.

These days the hunt for Dilmun begins at Bahrain's National Museum, over the causeway from the capital of Manama on Al-Muharraq island near the airport.



The well of Enki, Lord of the Abyss, still fed with clear water by a spring.

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THIS is an essential first stop, because visitors need to get a pass from the director, Sheikh Haya al-Khalifa, to visit the Barbar Temple, a key Dilmun relic. But the museum also contains a splendid display of Geoffrey Bibby's major finds, telling the story of the discovery of Dilmun and its links with the Garden of Eden.

Here, too, is a replica (the original was lost in London during World War II) of the first major clue identifying Dilmun with Bahrain. It is a foot-shaped black basalt stone found by Durand in 1879 while surveying the island's antiquities and bearing the Sumerian inscription: "Palace of Rimun, slave of the God Inzak, man of the tribe of Agurum."

Besides the Dilmun antiquities, the museum has displays devoted to pearl fishing and local art and clothes. Particularly interesting are those devoted to women's clothing, showing the sumptuous traditional Bahraini marriage dress and the scarcely less magnificent clothes worn in the old days by unmarried women. Of course, in the street, Bahraini women to this day continue to be shrouded in black veils, but at home they look very different.

A 15-minute taxi ride from any of the big hotels along King Faisal Boulevard will take the Dilmun enthusiast to the site of Bibby's first great find: Qala'at al-Bahrain. Only the tumbledown walls remain, though inside you can see the remnants of the palm-leaf encampment Bibby and his Danish companions built there in 1957, the last vestiges of what the archaeologists dubbed the "Carlsberg Culture" after the Danish beer they drank.

Below the fort's southern walls lie remaining bits of the walls of the Dilmun-age "palace" they found, the first evidence there was a thriving civilization on the island 4,000 years ago. Here were discovered the famous Dilmun seals and weights, which link the island with ancient Ur and the Indus Valley, confirming its importance as a trading center. But here Bibby also found astonishing evidence of a direct religious link between the inhabitants of ancient Dilmun in the third millennium B.C. and the much older legend of Gilgamesh's unfortunate encounter with the serpent — ritually buried rows of pots, each containing a snake's skeleton and a pearl.

Bibby identifies the pearl with the Flower of Immortality, recalling how in ancient Egypt Cleopatra drank an elixir of pearls dissolved in wine. "Here we have clear proof that the legend of Gilgamesh was still a living and integral part of the religion of Bahrain at the time the palace was built and inhabited," he writes.

Today, visitors can scramble into the pit and walk along the streets of ancient Dilmun, admire the great stone doorway of the palace, clamber through its rooms and recall how its inhabitants also commemorated man's fall centuries before Genesis was written.

A few miles west of the fort lies Bibby's second major site, the Barbar Temple. After their first exploration, Bibby and his companions covered the temple with sand again to stop theft. But last year the Bahrain government re-excavated it, building a permanent site with concrete walkways and viewing points for visitors.

THE first of three temples was built here nearly 5,000 years ago. But as the temple complex grew bigger over the centuries, a magnificent sacred well was always retained as its central feature. Well-rod steps lead down to a limpid pool of fresh, blue water contained in finely cut limestone blocks. Nearby stands a stone altar with a drain for the blood of sacrificial animals.

For most scholars, the Barbar Temple was sacred to Enki, Lord of the Abyss and Ruler of the Sweet Waters Under the Earth, the god who saved mankind from the Great Flood and who lived in Holy Dilmun at the beginning of time. Its well was thus a sacred link with the god holding dominion over the fresh waters on which life depended.

And sure enough, an ancient Sumerian fragment refers to a great Temple of Enki, calling it "the far-famed house" that is "built in the heart of the Lower Sea," the name then given to the Persian Gulf.

Close by, near Diraz village, lies an intriguing mystery Bibby never resolved. The well here, once the biggest on Bahrain, was filled in around 800 A.D. by a Moslem ruler to punish the villagers for idolatry. Today, stone blocks used to seal the well litter the sand. Visitors can see the "hantalizing stairway" Bibby found leading down into the well, and where he discovered two broken idols from Dilmun times. Was there another sacred well here where the villagers still worshipped Enki 3,000 years after the Barbar Temple was built and 800 years into the Christian era? We don't know. The excavation was never completed.

Only two stops remain in the quest for Dilmun. First to Ali village to see the "Royal Mounds," a cluster of unusually large grave mounds where Bibby found the cups and glasses he called "a table service worthy of the kings of Dilmun."

Anywhere along the road, a visitor can stop and inspect the island's grave mounds, many now opened by archaeologists. They housed the dead citizens of Dilmun, and the discovery of similar burial mounds in Saudi Arabia, Qatar and Faiala Island off Kuwait helped Bibby establish the boundaries of Dilmun's empire.

After this long, hot tour, visitors may want to drive another few miles to the Emir's beach at Az-Zallaq on the west coast. Here Bahrain's ruler, Sheikh Issa bin Salman al-Khalifa, keeps a summer palace on a silver beach edged with shady lawns and golden lampposts. He allows Western visitors to swim there free of charge, eat picnics under the palm trees and stroll on a black and gold pier above an emerald sea. It is a present-day paradise, a modern Dilmun.

THE best time to visit Bahrain is from January to June, before the humid summer heat sets in. Foreigners from outside the Gulf may be granted 72-hour visas (although British passport holders may stay 30 days without a visa); permits for longer stays are given only to persons doing business in the country.

Bahrain is full of luxurious air-conditioned hotels, complete with swimming pools. One recommendation is the Inter-Continental, also known as the Regency. It is within easy walking distance of the Arab market and of the business center of Manama. The others tend to be a taxi drive away. None of them is inexpensive: A double room costs the equivalent of around \$120 a night. An average meal easily runs \$60 a person.

The National Museum (tel. 32.02.83) is open from 9 A.M. to 2 P.M. every day but Friday. Admission is free.

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Voltaire and Wagner Liked It Here

by Henry Kamm

BAYREUTH, West Germany — The town of Bayreuth, claimed for more than a century by Wagner and the Wagnerians, is about as un-Wagnerian as a town in Germany can be. It is content with traditional harmonies and abounds in them. It prizes balance, and its luxury is a kind of modesty achieved at huge expense. Bayreuth is — yes, why not say it? — sweet, right up to the foot of the Green Hill, where the Festspielhaus rises and Wagnerland begins.

The princely seat in Upper Franconia, a Bavarian border march near where the two Germans and Czechoslovakia meet, yielded to delusions of grandeur once in its history, and that brought Wagner running. He found Bayreuth's folly, its opera house, insufficiently grandiose but loved the town and chose it as the site of the temple to his particular muse, fashioned to his extravagant measure.

This made Bayreuth a cult mecca, which might place it off limits during the Wagner Festival from late July until the end of August for non-Wagnerians fearful of being engulfed by the acolytes. Still, this leaves more than 10 months to enjoy an aristocratic town that has remarkably preserved — and after World War II faithfully rebuilt — an architectural ensemble of 18th-century grace and a style much its own.

The style is that of one of the century's many remarkable women. Friederike Wilhelmine Sophie, princess of Prussia and favorite sister of Frederick the Great. Married for political reasons to Margrave Frederick of Bayreuth, this young princess of exceptional artistic talent and cosmopolitan culture, a friend of Voltaire and a true daughter of the Enlightenment, found herself banished from Berlin's worldly court to a Franconian backwater.

Fortunately her husband was not without taste himself, and indulged his wife in her considerable effort and expense to make Bayreuth a court and residence town of a sophistication in which Voltaire, musicians, painters and actors would be at home. The Margravine Wilhelmine was herself an author, always in French, of plays, a remarkable diary and brilliant letters, as well as a composer of operas and instrumental music and a designer of palaces and, above all, gardens.

The results of her cultural campaign were as beautiful as they were ruinously expensive. Thirty-three years after Wilhelmine's death in 1758 at the age of 49, the bankrupt throne fell to Prussia, and later to Bavaria. After this gentle Götterdämmerung, culture in Bayreuth sank into slumber, from which Wagner awakened it in stentorian fashion.

WHAT Wilhelmine left behind is the quintessence of Bayreuth's charm, a patrician ensemble whose architecture glides from Baroque into a Rococo so distinctive that German art historians consider it sui generis and call it Bayreuth Rococo.

The principal jewel in the pleasing crown

is the Margravial Opera House, which drew Wagner in quest of the theater worthy of his music-dramas. Mighty as was the stage left by Wilhelmine, who thought the world of the theater and built accordingly, Wagner found it inadequate. He persuaded his sponsor, Ludwig II of Bavaria, to erect his Valhalla on the Green Hill instead.

The result was the preservation intact of the Opera House, one of the perfect examples of an 18th-century theater, the Baroque counterpart of the equally splendid and more famous Rococo Cuvillies Theater in Munich. Nothing in the classical, columned facade of the exterior, not freestanding but abutted by town houses on either side, prepares the visitor for its sumptuous interior. It exudes drama and music even when the only action in the house is a custodian's lecture to a tour group.

The opera lies in the forceful and tense curves of the most vigorous Italian Baroque, devised by the Bologna theater designer Giuseppe Galli Bibiena and his son, Carlo. The house has three tiers of loges starting from a magnificent, baldachined court box at the center, flanked by columns and topped by the Margrave's crest and Wilhelmine's crown, presented by trumpeting angels.

The music derives from the richly painted ceiling and curtain and the harmony of the shades of grayish and greenish blues, accented by ample use of gold and an occasional touch of red.

It would be magical to see the theater in action, but performances are limited to an annual June visit of the Bavarian State Opera and occasional recitals by off-duty Wagner singers. But a visitor's imagination may conjure up those days in 1748, when Elisabeth Friederike Sophie, 16, the Margrave's and Wilhelmine's daughter (called "the most beautiful princess of Europe" by no less an authority than Casanova), celebrated her marriage with two operas, several French comedies and a gala dinner as the house's inaugural events.

The theater, which was the magnet that drew Wagner, served once again in 1938 in a cause for which it had not been intended: It saved the adjoining synagogue — if not its congregation — during the Kristallnacht outbreak of anti-Jewish violence. The Nazis feared that setting it afire, as they did to most other German synagogues, would endanger the theater; they contented themselves with defiling the shrine's interior.

Guided visits to the opera house take place mornings and afternoons, except on Mondays. The beautiful corner house to the left now holds the Opera-Cafe, whose shady garden is a lovely spot for a light lunch or refreshment, to the purring of a fountain sprinkling forth through the mouth of a pleasant 18th-century ogre.

Another of Wilhelmine's theaters survives: at the edge of town, surrounded by a fine landscaped park of her design, the margravine created that necessity of courts of her time — a Hermitage, in which the princes, lords and ladies played at simplicity, slept in fake, well-appointed monk's cells and made believe they were nymphs and shepherds.

One of the Hermitage's romantic conceits

is a sylvan theater in the form of a Roman ruin, built in the 1740s. Wilhelmine herself performed there, and Voltaire partnered her. "Bayreuth is a wondrous, tranquil place," the great Frenchman wrote during a sojourn. "One can enjoy there all the pleasantness of a court without the inconveniences of the grand monde. I have seen there a court where all the joys of society and all the pleasures of the spirit are assembled."

The Hermitage is, of course, the very opposite of monkish: a veritable pleasure dome, complete with two palaces, one centering on a temple to Apollo and the sun, parks and gardens, grottoes and fountains that are turned on to provide their *jeux d'eau* five times a day from May to October.

Because Wilhelmine and Frederick wanted their new town palace to be built quickly, after the old one had burned down — Frederick is said to have provoked the fire to necessitate something new — they provided their architect, Joseph Saint-Pierre, with a challenge: to combine buildings already existing or under construction on the site into a palace. The components included a church, a vicarage, a small palace and a patrician mansion.

The result is nowhere near so eclectic as one might expect and is more or less unified by Wilhelmine's strong taste. The décor shows all the variety and some of the excesses of Rococo, as devised by a chateaufort who was more than a dilettante. Her pastel portraits of some of her court actors and musicians hold their own with the works of some notable artists that hang alongside.

WILHELMINE'S taste also marked streets and parks. The Friedrichstrasse is one that she conceived, a not-too-broad avenue of two-story, gabled, upper-class residences of harmonizing design. It is an example of successful town planning that survives even though the houses now serve a variety of purposes. Maximilianstrasse, which leads to a marketplace, features fine Baroque fountains and houses with lovely alcoves and balconies.

Maximilianstrasse leads to the rebuilt Old Palace, now occupied by the tax authorities and repainted in appropriately repellent colors. Still, the bas-relief portrait medallions over each of the many ground-floor windows are worth looking at for their variety in depicting anonymous characters. The huge octagonal tower of the Old Palace is the city's symbol.

Others, of course, would give that distinction to the Festspielhaus, a fascinating place even for non-Wagnerians as a unique theatrical machine. Similarly, Villa Wahnfried, the Wagner residence that is now a museum, is an extraordinary piece of cultural history, not least for its irreverent collection of kitsch inspired by the cult.

It is Bayreuth's particular charm that its character, the work of the refined Wilhelmine, is so special and strong that neither cult nor kitsch has effaced it. It rewards a stay with impressions that are more lyrical than dramatic, more Mozart, perhaps, than Wagner.

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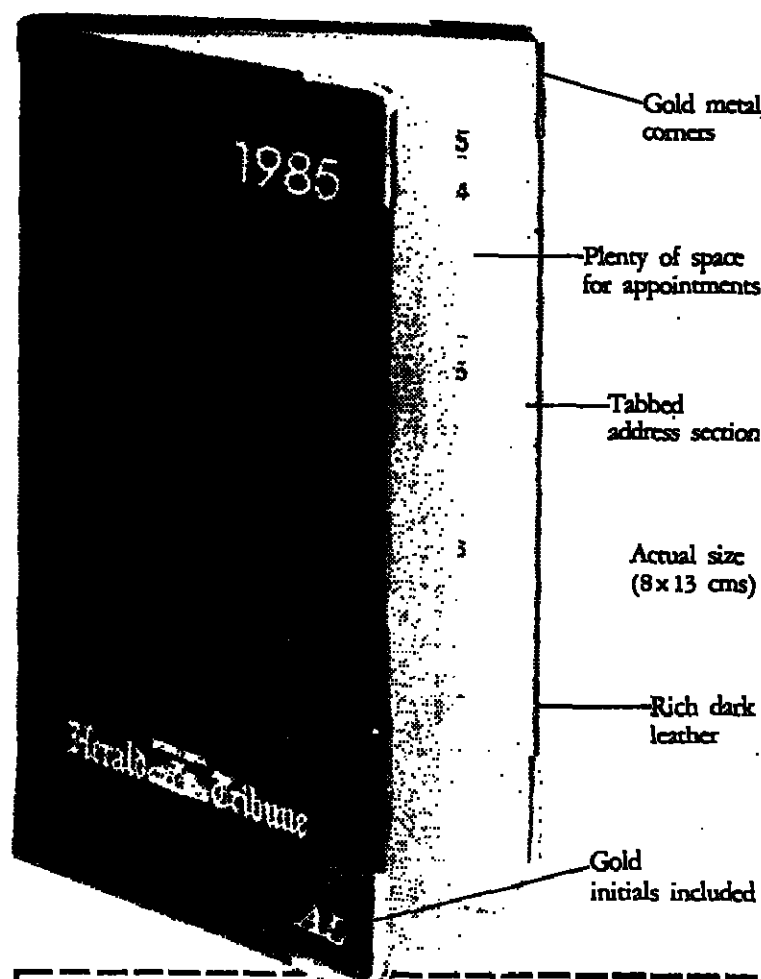
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THE GULF STATES

A SPECIAL REPORT

FRIDAY, NOVEMBER 23, 1984

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Mutual Defense: A Regional Priority Is Nearing Reality

MANAMA, Bahrain — When the Gulf Cooperation Council opens its annual summit on November 27, a mutual defense accord, promising each state military aid from the others in the event of an attack, is expected to be high on the agenda.

If adopted, the accord will be one of the landmarks of the council's short history and a step toward its major aim: increasing security to protect the oil routes and member states' government systems.

Although they are the world's wealthiest states, the Gulf countries are notoriously underprotected, a result of their history and tiny populations.

Until 1971, the area was policed and defended by Britain, but the Labor government's decision to end the British military presence "east of Suez" by 1971 left the Gulf vulnerable just as its revenues were about to shoot up with increased oil prices.

"Frankly, we were very dis-

turbed when we realized that the British were going," one senior Bahraini official said. "There may have been reasons not to like their presence politically, but their military presence meant that security was something we did not have to worry about."

Since then, Iran's Islamic revolution — with Tehran's pledge to export it — and the 4-year Iran-Iraq war in the north of the Gulf have focused the Gulf states' attention on security. At the Indian Ocean mouth of the Gulf, the proximity of Soviet-occupied Afghanistan and Moscow's friendship treaty with South Yemen give another dimension to the Gulf leaders' fears.

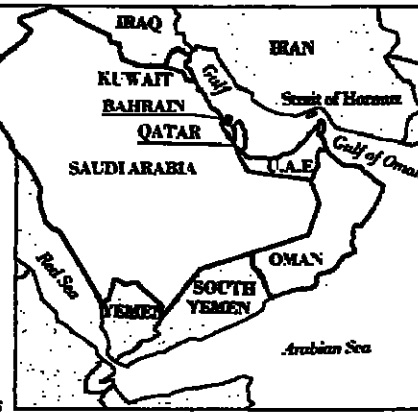
To achieve better military security, the Gulf states need a coordinated defense policy, a unified command and standardization of the military equipment.

The first steps toward cooperation have been taken relatively



Saudi Arabia's Al Hassa oasis.

Members
Of the Gulf
Cooperation
Council:



Inside the Kuwait Maternity Hospital.

Signs of Unity On the Horizon As GCC Evolves

By Julian Nundy

MANAMA, Bahrain — The Gulf Cooperation Council appears to be one attempt at Arab unity that is actually making headway. Formed by Saudi Arabia, Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates, the council was set up on May 26, 1981, with the aim of integrating the six countries' economies and the eventual creation of a joint force to defend the Gulf and its vital oil routes.

On paper, its beginnings were not promising. Six members of the Arab League, a body that is frequently riven by disputes, set out to work toward unity. They studied — and in some cases emulated — the statutes of the European Community, whose public image is one of a massive and quarrelsome bureaucracy.

But, three-and-a-half years after its creation, Gulf officials express modest satisfaction in the progress so far, a sentiment that foreign analysts share.

"As far as we can see, it is an integration movement that is going ahead and is on course," a Western diplomat in Bahrain said.

Despite the progress, however, the grouping faces difficult security problems and, even with its oil wealth, now faces a period of recession.

The formation of the GCC came about eight months after the outbreak of the Iran-Iraq war. The conflict sparked fears of a Gulf-wide war and it underscored the need for better defense in the sparsely populated Arab Gulf states.

But the cautious governments in those countries were reluctant to be too conspicuous in their attempts to strengthen their defenses and have proceeded very slowly toward

cooperation between their armed forces, although they have embarked on expensive arms purchasing programs.

They have held two sets of joint maneuvers, the last being the Peninsula Shield II exercises in Saudi Arabia in October.

The eventual aim is to set up a joint command and a rapid deployment force to hold off attack while the council's Western allies rush in their forces.

With a coordinated defense still a long way off, the GCC has put a lot of emphasis, albeit discreetly, on internal security and coordination between their police forces.

A series of bombings in Kuwait last December and the discovery of an arms cache in Bahrain in February were two recent examples of the security hazards that countries in the region face.

The Gulf states firmly believe that Iran is behind attempts at subversion. They also believe that, with its military might seriously depleted by the war with Iraq, Tehran is likely to concentrate on terrorism and subversion to spread its revolution to its neighbors.

"The man in the street wants security," said Bahrain's information minister, Tariq al-Muayyid. "Security is the main pillar for unity."

As far as economic issues are concerned, the Gulf states have moved to abolish tariff barriers for goods originating in their countries and they have called for standardized economic regulations and coordinated development.

In many cases, the agreements were easy to put into practice initially since Saudi Arabia had many bilateral accords with the smaller states and it was simply a matter of

(Continued on Next Page)

Oil Producers Learn to Live With New Times, Lower Output

By Randa Takkiedine

PARIS — The 10 members of the Organization of Arab Exporting Petroleum Countries (OAEPC) — Algeria, Bahrain, Egypt, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, Tunisia and the United Arab Emirates — have witnessed a decline of crude production from 12.56 million barrels a day in 1982 to 11.04 million barrels a day in 1983, a drop of about 12 percent. Their oil revenue has fallen 25 percent from 1982, to \$109.22 billion in 1983.

Algeria, Iraq, Kuwait, Libya, Qatar, Saudi Arabia and the Emirates have national incomes mainly

based on oil revenues and are members of the Organization of Petroleum Exporting Countries. They supply the bulk of OPEC oil — 10.42 million barrels of the previous OPEC production ceiling of 17.5 million barrels a day.

OPEC's recent decision in Geneva to lower the ceiling to 16 million barrels a day from Nov. 1 until demand for OPEC oil improves, so as to maintain the official market price at \$29 a barrel, will weigh heavily on the Arab producers. Their new OPEC quotas total 9.29 million barrels a day, a drop of about 1.13 million barrels a day.

The seven Arab OPEC produc-

ers have pursued very different sales and output policies in the depressed market.

When OPEC set its old production ceiling of 17.5 million barrels a day in March 1983, the biggest Arab producer, Saudi Arabia — with a production capacity of more than 11 million barrels a day — agreed to a quota of 5 million barrels a day. Later the Saudis cut this level by 647,000 barrels a day. The Saudis have traditionally opposed production-sharing agreements within OPEC, for political reasons, but the threat of a slide in oil prices forced them to accept the principle.

During October, Saudi daily

production was reported to have leveled off at 4.7 million barrels. For the first weeks of November — and in accordance with the OPEC decision — the Arabian American Oil Co. has informed customers that lifting will be restricted. Force majeure has been invoked to delay loading of 11 tankers at Ras Tanura. The Saudis want to control petroleum production levels on a weekly basis.

Industry sources have reported that, though Saudi Arabia's new OPEC quota is 4.35 million barrels a day, production is now 3.8 million barrels a day.

Traditionally, most Saudi oil was

taken by the four major companies of Aramco — Exxon, Texaco, Chevron and Mobil — but in the last few years this has changed radically.






















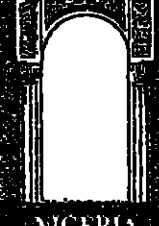
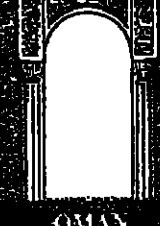


The Saudi national company, Petromin, has built up its sales network and in the summer of 1983 Saudi Arabia set up an international oil sales company, Norbec, based in Zug, Switzerland. It sold Saudi oil on the open market in competition with the Aramco partners. Aramco was taking only about 25 percent of Saudi crude.

In the last few months, because of a slack in demand for OPEC oil, Norbec has discontinued sales. Under Saudi Arabia's new lower pro-

duction ceiling, allocations to the Aramco partners are to be made according to liftings by those companies over the last nine months; the Saudis wanted to favor the companies that had a consistent lifting performance in times of depressed market.

Previously, 60 percent of Saudi oil exports was Arabian light crude (the reference crude of OPEC, \$29 a barrel), 20 percent was heavy crude and 20 percent was medium. In October, the Saudis changed their export mix to 40 percent Arabian light, 35 percent heavy and 25 percent medium.

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An antique "Abrik Aahwa" - the brass coffee pot used by the Arabs for many centuries. From the private collection of Mr. Rashid Al-Othbi.

A SPECIAL REPORT ON THE GULF STATES



Bahrain's National Oil Company designed and built this service station in Bahrain. Everything in the station

— including gasoline pumps, lighting and refrigeration — is powered by solar energy panels situated on roof.

Producers Learn to Live With Low Output

(Continued From Previous Page)

With heavy crude underpriced at the official level compared to its market value, many OPEC colleagues of the Saudi oil minister, Sheikh Ahmed Zaki Yamani, saw in this change of ratio an effective reduction of the market price from \$29 to \$27.55. Sheikh Yamani argued that, in the long term, the move would create a better balance between heavier and lighter crudes in the world market. He said the increase of production of heavy crude would help bring down its market price and bring up the prices of light and extra light crude.

Thus, within less than four years, the kingdom has reduced its oil output by almost half, from average production in 1980 of 9.9 million barrels a day to a 1984 average that will probably be about 4.5 million.

Saudi Arabia is now poised to enter the world petrochemical industry after 10 years and more than \$11 billion in investment. At the end of 1985, Saudi production of refined products will amount to 1.8 million barrels a day (from export and local refineries).

Another Gulf oil producer from OPEC already produces refined products — Kuwait. Two-thirds of its crude exports are being sold as refined products. Kuwait has the world's second-largest proven oil reserves, after Saudi Arabia, estimated in 1984 at 67.15 billion barrels. It has a sustainable production capacity of 3.5 million barrels a day. Its new OPEC quota is 900,000 barrels a day.

Kuwait produced in October at its previous quota level, about 1.05 million barrels a day. The Kuwaitis have instituted a conservation policy since 1981, when their production reached 1.13 million barrels a day. Since then, the market situation has reinforced this policy. Kuwait has been moving away from sales of crude to sales of refined products. Its refining capacity has been built up at home and abroad. Kuwait's refining capacity amounted to 594,000 barrels a day in 1983.

Abroad, Kuwait Petroleum Corp. has been at the forefront of national oil companies that have opted to buy downstream assets in Europe. It owns refining and marketing outlets in Belgium, Denmark, Italy, Luxembourg, the Netherlands and Sweden. The company is now negotiating with Chevron, of the United States, to buy 400 service stations, a refinery and a share in a cracker unit in Britain. This aggressive policy has enabled Kuwait to enter a Western market formerly closed to Arab refined products, and provides Kuwait with marketing security when the market is depressed.

Qatar has proven crude oil reserves estimated at 3.3 billion barrels. Its production capacity is about 650,000 barrels a day. At the beginning of 1983 Qatar's output dropped because of the oil glut to 210,000 barrels a day. Its old OPEC quota was 300,000 barrels a day, and its new quota is 280,000. In October, however, Qatar was reported to have produced about 450,000 barrels a day. With Qatar's extra light crude overpriced at official levels, against its market value, it lost more of its term contracts and has been turning to spot market. However, for the first weeks of November, Qatar has come down to its new OPEC quota of 280,000 barrels a day.

The other OPEC Gulf country that had to face similar marketing problems for its extra light crude was the United Arab Emirates. Abu Dhabi's proven reserves were estimated at 51 billion barrels in 1984 and Dubai's at 1.51 billion barrels. The federation's production was significantly low in October, an official from the oil ministry said.

"Our extra light crude is facing fierce competition from other extra light producers who undercut their prices," he said. "Abu Dhabi production has been very low in October, about 600,000 barrels a day."

Total official production in October was about 900,000 barrels a day, with Dubai producing 300,000 barrels. Industry sources say, however, that the Emirates were producing at their previous quota level of 1.1 million barrels a day in October. The federation's new share in the OPEC quota is 150,000 barrels a day less than that.

Abu Dhabi, unlike the other Gulf producers in OPEC, still has company equity holders. They take 40 percent of the crude as equity entitlement and the government sells the rest on long-term contracts.

Abu Dhabi is reported to be giving a discount of a dollar per barrel

of its extra light crude to equity-holding companies operating its fields to boost its sales.

Iraq, which, except for Nigeria, was the only OPEC member whose quota was not cut, has a huge capacity to produce but a limited capacity to export. "Its 1.2-million-barrels-a-day quota is allocated not on actual need but on its inability to export," Sheikh Yamani said in Geneva. "This is a nation still at war, and it has to have financial resources. That's why we gave Iraq this special position."

Iraq's production capacity is 3.5 million barrels a day.

In North Africa, Algeria has also had difficulties in marketing its oil. Its new OPEC production quota is 663,000 barrels a day, down 8.5 percent. Algeria's official estimate of its proven reserves as of Jan. 1, 1983, was 9,440 billion barrels. But Algeria is a big natural-gas producer — its gas reserves are more than

two-and-a-half times greater than its oil reserves.

Its marketing difficulties stem from more competitive prices of similar light crudes, such as the Nigerian crude, and from the general market situation. The Algerians are slightly helped by the fact that a lot of their oil exports are in the form of condensates or refined products, neither of which comes under OPEC rules and can be sold under market prices. But Algeria has had difficulties selling its crude.

The other OPEC North African producer, Libya, has a new OPEC quota of 990,000 barrels a day, down 10 percent, and its oil production capacity is about 2.5 million barrels a day. Libya produced 1 million barrels a day in October.

It has foreign equity holders who take about 40 percent of Libya's oil under equity entitlement; the government sells the rest under various types of transactions, including

some barter deals and some contracts.

The rest of the Arab oil producers, non-OPEC members, are small producers, such as Oman and Egypt, whose national income is not mainly based on oil revenue. Egypt's production is about 850,000 barrels a day.

Oman — which, with Saudi Arabia, Kuwait, Qatar, the United Arab Emirates and Bahrain is a member of the Gulf Cooperation Council — produces 400,000 barrels a day. Its prices are also closely related to market prices. Forty percent of its crude is tilted to an equity company and the rest is sold under contracts.

Bahrain, Tunisia and Syria are small oil exporters and their oil production is also quite small. In general, Bahrain has gone through difficult times as the market has slackened.

Mutual Defense Is Nearing Reality

(Continued From Previous Page)

quickly. In October, the armed forces of the region ended their second joint maneuvers, Peninsula Shield II.

Little detail on the progress of the maneuvers emerged, but officials stressed the modest level of the exercises, which were held in Saudi Arabia. The first GCC military maneuvers took place in the United Arab Emirates in 1983, and member states have held other war games with neighboring armies on a bilateral basis.

The aim of military cooperation is to form a joint force that could hold off an enemy for enough time to allow the United States or other Western allies time to fly in forces to protect the vital oil routes, officials say.

Self-reliance is a distant, if not unattainable, dream.

"We're kidding ourselves to say that we can defend ourselves to the last," a senior Bahraini official said. "We have to be realistic even in our dreams."

A major problem is a shortage of skilled manpower to operate modern weaponry. According to some reports, thousands of foreigners are helping to advise and train Saudi Arabia's forces, whose 52,000 men would be the backbone of any joint Gulf defense force, while others maintain equipment and even man aircraft and tanks.

As far as new arms are concerned, the Gulf states have embarked on an ambitious equipment-purchasing program to update their forces. Saudi Arabia has spent about \$100 billion on defense since 1975. In 1982, its military budget was \$24.4 billion, putting the kingdom fifth in world defense spending, after the United States, the Soviet Union, China and West Germany.

The Saudi forces are mainly U.S.-supplied — the pride of the air force is a fleet of 62 F-15 fighters, and Riyadh is negotiating to buy F-16s — but they have also made a \$4.1-billion deal with France for an air defense system that includes mobile, low-altitude, surface-to-air Crotale and Shalme missiles.

In 1982, Saudi Arabia signed a \$2-billion deal for four frigates, two naval tankers and rocket-equipped helicopters from France. But the diversity of arms purchases is not a structured or coordinated policy. Kuwait has recently stated that it would buy Soviet anti-aircraft missiles after Congressional opposition denied the U.S. shoulder-held Stinger missile. President Ronald Reagan unblocked the sale of 400 Stingers to Saudi Arabia, however, during last summer's "tanker war" in the Gulf.

Oman, to the south, heavily favors European suppliers. It has the French-British Jaguar strike plane, and officials said it is planning to buy the Tornado, produced by Britain, Italy, and West Germany. Although the public emphasis on security has highlighted military cooperation, many Western and Arab officials say the Gulf states' real concern is to bolster internal security.

"They do not fear Iran so much militarily because its forces are so dilapidated," one Westerner said. "But they do fear its potential for subversion."

Last December 12, shock waves were felt throughout the Gulf when six bombs exploded in Kuwait, hitting targets that included a U.S. Embassy building, the French Embassy and the airport control tower.

The official death toll was five, with 60 injured. At a subsequent trial, a Kuwait court handed down six death sentences to five Shiite Muslims from Iraq, three in absentia, and to one Lebanese Christian who was said to have taken part in the bombing for money.

Seven, including a Kuwaiti, received life terms. Iran was blamed for providing both the ideological impetus and the terrorist training.

To counter the perceived threat from Iran, there have been moves to encourage cooperation between Gulf police forces and to establish a joint information bank along the lines of Interpol.

In 1981, the year the GCC was founded, an alert passport officer at Dubai airport gave authorities an indication of the value of police cooperation. The passport officer, suspecting that a visa stamp in a passport he was examining was false, alerted police in Bahrain where the passenger was heading. The Bahrainis asked for the man to be allowed to continue on his way and arrested him on arrival. The man's interrogation led to the discovery of arms caches inside Bahrain, the trial of 73 suspects and the revelation of a wide-ranging plot to kill the country's leaders.

But it was the passport officer's quick thinking that captured the

politicians' attention. They quickly set to work on a security accord that provided for a central information bank, extradition clauses and even for police forces to be able to chase fugitives for up to 15 kilometers (9.3 miles) inside a neighboring country's territory.

The security accord was first presented to the 1982 council summit in Bahrain, but was shelved because of Kuwaiti opposition.

Only 40 percent of Kuwait's 1.35 million inhabitants are estimated to be native Kuwaitis. Kuwait has a considerable number of Palestinian residents as well as Shiite Muslim minorities of both Iranian and Iraqi descent. Within earshot of the southern front in the Gulf war, the country's rulers are particularly sensitive to all aspects of security.

According to diplomats in the Gulf, Kuwait feared that the security accord drawn up by the GCC could worry some of its inhabitants and stir unrest. They said, however, that Kuwait had assured other members of the council that its intention to sign the agreement would not prevent it from cooperating.

Gulf officials confirmed Kuwait's intention. "The compromise is that we will not write it down but we will do it," one said. "And it is done."

— JULIAN NUNDEY

Signs of Unity on Horizon As the Gulf Council Evolves

(Continued From Previous Page)

widening such accords to cover the region.

"We have the same geography, language and life," said Abdulhamid Ali Al-Arady, the director of economic relations at Bahrain's Finance Ministry. "We count in the same resource — oil. We have the same needs and interests."

Now, however, the GCC is facing a serious economic challenge — a slowdown in the region's growth rate.

A recent report by the United Gulf Bank said that the six states had a combined current-account deficit of \$5.9 billion in 1983, compared with surpluses of \$17 billion and \$86 billion in 1982 and 1981 respectively.

The report said the decline was triggered mainly by the fall in oil revenues and the Gulf war.

As a result, there had been an overall reduction in the pace of growth and development, it said. The Gulf countries have half the world's proven oil reserves.

But the report was not pessimistic for the future. The deficit, it said, was largely accounted for by a Saudi policy decision to withdraw cash from its international reserves to finance expenditure.

It predicted that the oil glut that has caused oil prices to drop would disappear by 1988 and that the Gulf economies were beginning to show signs of turning around.

However, how the GCC handles the lower growth rate could put it to the test, officials said.

"The GCC was founded partly to deal with the economic realities that would hit the oil producers when the oil started to run out," one Western diplomat said. "So this could be a moment of truth for the Gulf countries."

In practical terms, the GCC runs its business much along the same lines as the European Community. Ministers meet regularly, like the

European Council. Finance ministers, for example, meet at fixed intervals to discuss issues in their areas of interest.

Echoes of serious disagreement between the Gulf partners do surface occasionally but rarely receive immediate publicity, in contrast to the EC.

Given the discreet, even secretive, nature of the Gulf countries, the council members are careful not to disclose areas of disagreement. In the EC, discord reaches the media even as meetings are in progress and can influence the outcome.

"In the GCC, when there are no grounds for agreement, then we shelve the issues," a senior Bahraini official said. "We go for consensus and when it's not there, we prefer to wait for it rather than quarrel."

The progress of the GCC so far is all the more remarkable for the history of its members. Dominated by a succession of outside powers, the Portuguese, Dutch, Turks, French and British, they were divided by fierce rivalries. Now, however, these conflicts are played down.

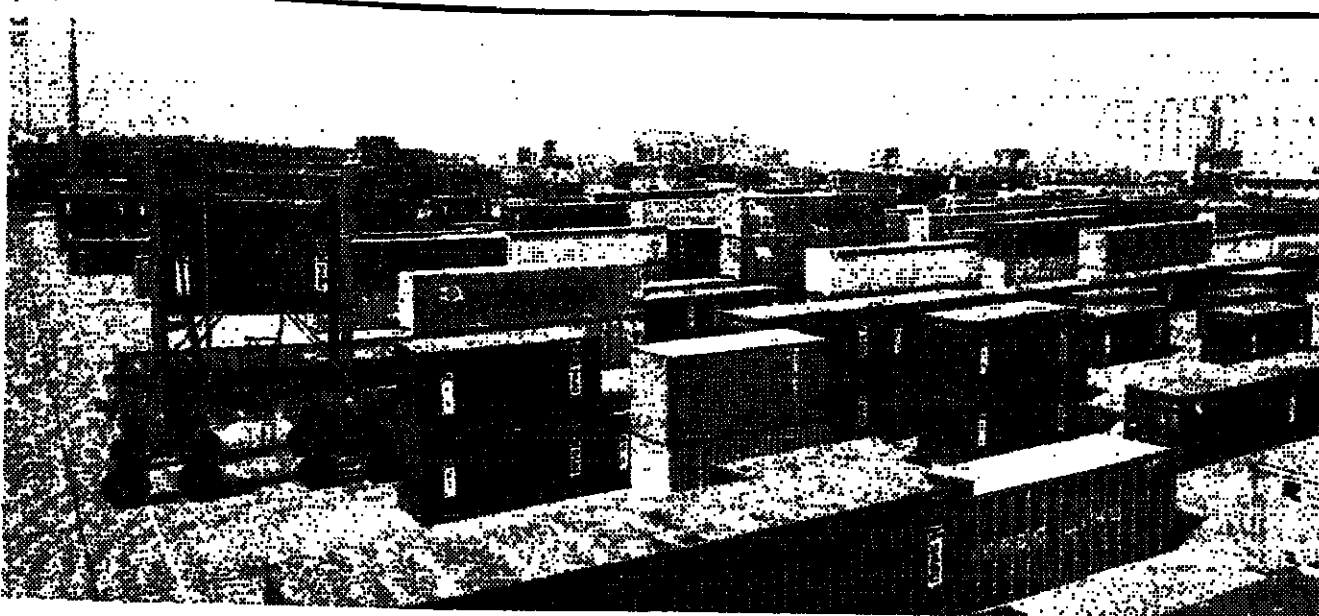
"Whatever our relations were, we did at least know each other very well," one Gulf official said. "We have no agriculture to speak of, so we should not have the damaging disputes of the EC and its obsessions with its butter mountains and wine lakes."

Mr. Al-Moayed said: "The creation of the Gulf Cooperation Council is the response to the call of reason. We realized that we had a certain wealth that it was our duty to defend and use to make our people prosper."

"Everyone knows that as individual countries we are weak. But our overall resources are huge even by the standards of the industrial world. Our similarities in population, geography and economies are enough to justify making a political unit."

مكتبات الامم المتحدة

A SPECIAL REPORT ON THE GULF STATES



Containers in the Saudi Arabian Gulf port of Dammam.

Resilient Shipping System Resists War

By Phillip Hastings

LONDON — Recent merchant shipping casualties from the Iran-Iraq war provide perhaps the most obvious outward illustration of the way Gulf shipping and port operations are increasingly being influenced by political factors.

That said, though, the continuing conflict between Iran and Iraq has, in itself, had less immediately apparent effect on Gulf shipping than might at first be supposed. Outwardly, in fact, the pattern of merchant shipping company operations has not changed dramatically over the last few years, other than to suffer considerable rationalization inspired by general cutbacks in trade.

Behind the scenes, however, the war is having significant direct and indirect influences on the shipping and port development plans of most Gulf region states.

Saudi Arabia, for example, is steadily building up its Red Sea port structure to provide alternative facilities to the strategically more vulnerable Gulf ports and terminals.

With Jeddah already established as a major general-cargo port on the Red Sea, over the last few years the kingdom has also developed large-scale port facilities at Yanbu in the northwest. In particular, terminals have been built to handle the export of large quantities of oil and liquefied petroleum gas, products until recently mainly exported through Gulf coast terminals such as Ras Tanura.

"The continuation of the Iran-Iraq war highlights the absolute necessity for Saudi Arabia to have more than one oil export area, and although the Yanbu developments were planned before the war started, this has further emphasized the need to avoid total reliance on facilities in the Gulf," commented one senior Gulf port industry executive.

Continuing attacks on general-cargo ships as well as tankers in the Gulf, coupled with fears that the conflict could at some stage close the Strait of Hormuz leading into the region, have also stimulated more interest in the possibilities of using ports just outside the Gulf itself.

Included in this category are two ports on the eastern coast of the United Arab Emirates, Fujairah in the emirate of the same name and Khor Fakkan in Sharjah.

Fujairah, last of the major

U.A.E. ports to be brought into operation, has had a hard time attracting regular shipping line calls already faced with a large range of options within the Gulf itself. Marketed as a possible transshipment center for the Indian subcontinent, Fujairah had to wait for more than a year before its first regular customer, American President Lines, was signed up earlier this year.

However, with APL, which operates container services taking in the United States, Far East and Middle East, having broken the ice, Gulf port-industry executives believe that other shipping lines may look more closely at the options provided by Fujairah and Khor Fakkan, particularly if attacks on merchant ships in the Gulf continue.

While conflict in the Gulf has influenced some diverting — although still very limited — of shipping services, a less obvious but in the longer term more significant result has been its effect on the development of the Gulf Cooperation Council.

Comprising Saudi Arabia, Kuwait, the U.A.E., Oman, Qatar and Bahrain, the GCC is a political and economic body rather than the lines of Europe's Common Market.

As member states have drawn closer together in the face of fears over possible repercussions of the Iran-Iraq war, and changing economic circumstances, so the GCC's influence on shipping and port operations has increased.

To date, that influence has been largely of a general nature, with GCC members looking at ways of increasing cooperation and cutting down unnecessary and potentially damaging competition. For example, some port officials have talked about the concept of the Gulf establishing a certain number of strategic

mother ports that would act as major transshipment centers for other, smaller facilities.

The problem, though, is that almost every port in the Gulf can and does put forward a case for being selected as a mother port. A quick glance at the marketing and promotional efforts made by Gulf port managements over the last couple of years shows that nearly every one is pressing for recognition as a regional transshipment point, making it seem likely that progress with rationalization of port facilities would be very slow.

For the moment, the major transshipment centers in the Gulf are basically Dubai's Mina Rashid, more often simply referred to as Dubai Port, and Bahrain's Mina Sulman.

To date, Dubai has been the larger of the two ports, but again politically inspired developments could boost the challenge from Bahrain — or substantially reduce it.

The big uncertainty surrounding Mina Sulman involves the effect of the causeway now being built between Bahrain and its giant neighbor, Saudi Arabia. Due for completion toward the end of 1985 or early 1986, the causeway development was prompted to a considerable extent by strategic considerations, such as Bahrain's desire to be able to call on quick support from Saudi Arabia in the event of military threats from outside sources such as Iran.

Opinion among Gulf shipping and port industry executives about the likely impact of the causeway on Mina Sulman's cargo traffic is fairly divided. Some believe the causeway will benefit the port on the basis that Bahraini merchants who used to import in bulk for onward distribution to Saudi Arabia will resume buying in bulk, im-

porting through Mina Sulman and using the causeway as a transport link.

Others are less optimistic about Mina Sulman's prospects once the causeway is opened, pointing out that Saudi Arabia has two massive ports of its own in the Gulf and close to Bahrain, Dammam and Jubail.

Meanwhile, the Sulman port authority has pressed ahead with further development of facilities this year, including a third container berth, installation of a ship control system and more computer systems.

While Gulf ports are likely to find their futures increasingly influenced by political factors, similar trends have already become apparent in the make-up of shipping services in the region. The rise of locally based organizations such as the United Arab Shipping Company (UASC) of Kuwait and the National Shipping Company of Saudi Arabia (NSCSA) has made commercial life much harder to outside shipping lines already having to contend with reduced traffic volumes through economic cutbacks.

Both UASC, a joint venture involving a number of Gulf states, and NSCSA have been able to increase their share of Gulf region cargo through the influence and, in some cases, action of regional governments that have used the overall drive toward greater Arabization of all aspects of commercial life to steer more cargo on to Arab flag vessels.

A number of major outside shipping lines have had to pull out of the Gulf trade — some, such as the Greek-owned Hellenic Lines, have even gone out of business altogether — and many others have been forced to rationalize their services and enter joint ventures.

Iran-Iraq War Remains Unresolved As Both Sides Dig In for Long Haul

By Dilip Hiro

LONDON — The recent eruption of hostilities on the central sector of the Gulf war front was a sharp reminder that the four-year old conflict between Iran and Iraq remains unresolved. The fighting, which resulted in Iran regaining 30

square miles (78 square kilometers) of its Iraqi-occupied territory, occurred against the background of periodic attacks on shipping in the Gulf by both sides.

Since the war broke out on September 22, 1980, it has passed through four phases: Iraqi advance into Iran, stalemate, Iraqi retreat and Iranian march into Iraq. The last phase began in mid-July 1982 and ended in late February in 1984, when Iran seized the oil-rich Majnoon Islands, 13 miles (20.8 kilometers) west of the Iraqi border.

The current (fifth) phase began in the spring with the escalation of the tanker war in the Gulf, when Iraq deployed Super Etendard planes, equipped with Exocet missiles, to attack ships lifting Iranian oil at Kharg Island. Iran, then exporting 3 million barrels a day, retaliated by hitting ships trading with Saudi Arabia and Kuwait. (Early in the war, Iran had knocked out the Iraqi oil terminals on its narrow shoreline.)

In mid-May the tanker war reached a climax, with Iraq hitting three ships, and Iran three, during the week of May 13-19. Between April 18 and May 24, a total of 11 ships were attacked by Iraq or Iran, 10 of them oil tankers.

Insurance rates jumped. Diplomatic activity increased. The U.S. reiterated its resolve to keep the Gulf open for shipping. This suited President Saddam Hussein of Iraq. He wanted Saudi Arabia and Kuwait to join the war as combatants and America to move its warships into the Gulf to protect sea-lanes.

But Saudi Arabia and Kuwait were to disappoint President Hussein. They refrained from calling on the United States to protect the sea-lanes, and instead decided to do so themselves. Saudi Arabia purchased 400 American-made shoulder-held ground-to-air missiles and set up an air defense interception zone that went beyond its territorial limit. In short, when faced with the stark choice of declaring war against Iran or inviting America to protect the Gulf sea-lanes — or continuing the status quo — Saudi Arabia and Kuwait opted for the latter course.

Soon afterward, the Iranians announced the postponement of the much promised "final battle of destiny" to capture the Gulf port of Basra, or Baghdad, the Iraqi capital. A variety of reasons lay behind Tehran's decision. Its planned action had lost any element of surprise. Forewarned, the Iraqis had set up a four-tier defensive system: minefields, barbed wire, antitank trenches and heavy artillery placed on high ground.

By pumping water from the Tigris

river and the Hur al-Howzah marshes through a canal, the Iraqis had created an artificial lake — 15 miles long and half a mile to three miles wide — along the most vulnerable section of their border with Iran in the south. On the south and west of the lake were hundreds of bunkers filled with soldiers and militiamen.

All told the Iraqis were as numerous on the southern front as the Iranians: 200,000. So the Iraqis could not mount their human-wave assaults, a tactic in which the attacker needs at least 5:2 superiority in manpower.

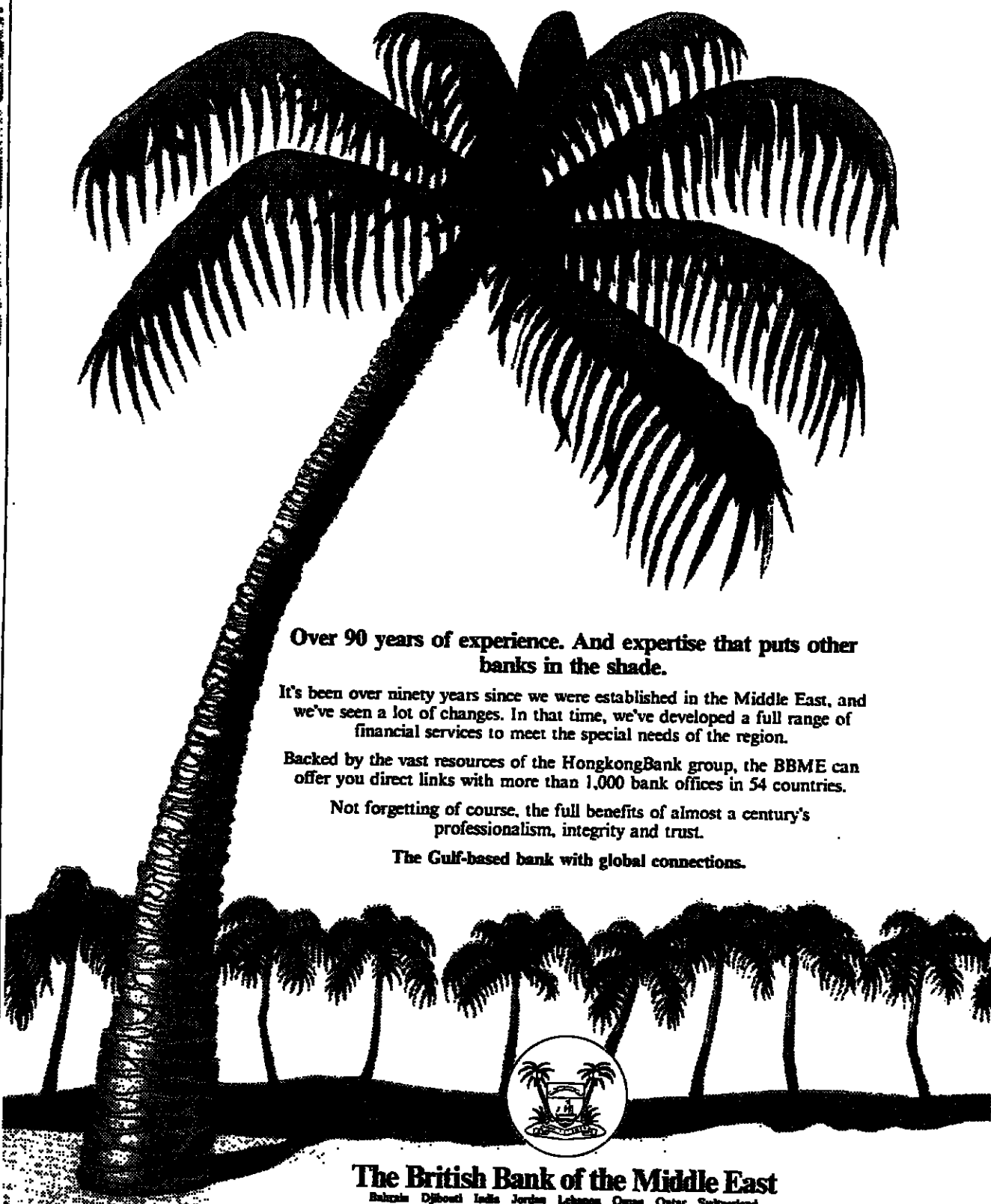
The Soviet Union and France had been arming Iraq so rapidly that by late spring 1984 the Iraqis had 4:1 superiority over Iran in combat aircraft, and 3:1 advantage in tanks and armored personnel carriers.

This was the background against which Tehran announced the postponement of the "final offensive" in early July. Following that, the Iranian leaders found some virtue in diplomacy. But their definition of diplomacy was narrow. It meant trying to convince Saudi Arabia and Kuwait, among others, that there could be no lasting peace between Iraq, Iran and the Gulf states until President Saddam Hussein had been removed from power.

Taking into account the military, the revolutionary guards and the Basij volunteer force, Iran has more than 1 million men in uniform. Half of these are deployed along the border with Iraq. Thus, Iran faces no problem in manpower or motivation to continue the war.

Iran's deficiency lies in weaponry and its limited financial resources. Unlike Iraq, it lacks rich backers. Since it is opposed by both superpowers, it is unable to procure military aircraft, a severe handicap. In the last year, Moscow as well as Washington has moved firmly on the side of Baghdad. The Kremlin is hostile to Iran because Tehran has proved to be anti-Soviet and anti-Communist. It fears that the emergence of the Islamic Republic of Iraq, as a result of the present regime's defeat in the war, will lead to the abrogation of the current Soviet-Iraqi treaty of friendship and cooperation and the severance of military ties between the two states.

In view of the violent actions taken against the American Embassy and marines in Beirut by Iranian elements in Lebanon, the U.S. administration is now more hostile to Iran than before. On its part, Tehran remains committed to undermining American influence in the Middle East.



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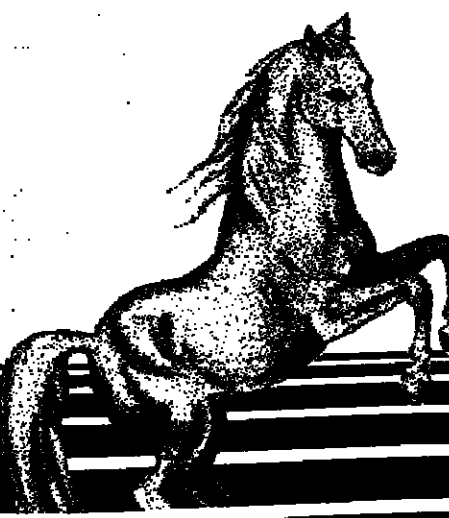
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A SPECIAL REPORT ON THE GULF STATES

Expansion of Fishing Industry Could Help Trim Food Deficit

By Eva Dadrian

LONDON — After years of exporting frozen shellfish to the United States and Japan, the Middle East fishing industry aims to expand production and domestic sales. The governments' decision to finance fishery development is spurred by a chronic food deficit in the Gulf due to the population's increased dependence on heavily subsidized food imports.

State-funded development projects focus mainly on shore-based fish farms and industrial-scale processing plants.

Along with pearl diving, fishing is one of the most traditional means of employment in the Gulf. But rather than follow the pearly lures to the more lucrative, less risky oil industry, most fishermen have remained independent, sailing their boats as far as the Indian Ocean and the eastern coast of Africa for bigger catches. Rival fleets roam the Gulf and compete for dwindling reserves, which have been hard hit by the Iran-Iraq war. Fishing was banned altogether for several months in 1983 when the war escalated.

Inshore shrimp-fishing in the north, together with wet fish trawling off Kuwait and Iraq and Kuwaiti shrimp breeding grounds, suf-

fered most from last year's mammoth oil spills, which followed Iraqi air attacks in March. At Iran's offshore installations, Nohruz and Ardehsir, oil poured out into the Gulf at the rate of 2,000 barrels a day. Long-term effects of this pollution, coupled with the growing quantities of sludge dumped by tankers despite government regulations, threaten the present Gulf fishing industry. Attacks on ships have kept many fishermen from venturing too far offshore, just as they have halted construction of the Gulf's largest fishing port at Umm Qasr, designed by Piling Design Consultants, a British firm.

The port could handle nearly all of Iraq's sea fishing. Yet, while the war continues, the project remains on paper. Military costs tie up funds that might otherwise be used to finance the newly commercialized fishing industry.

Saudi Arabia, with the Gulf to the east and the Red Sea to the west, has enormous potential for large-scale commercial fishing, and after 2 years' operation the Saudi Fisheries Company has a net profit of 20 million Saudi riyals from its fleet of 35 vessels. Nasser Osman al-Saleh, general manager of the company, said in a recent interview that the cost price of imported fish is very little compared to the pro-

duction cost of the domestic industry. The demand for export shellfish is so high, especially after a shortfall caused by last year's ban, that regional experts are pressing the government to invest in shrimp farming.

The Saudi port authorities must be anticipating an increase, for they announced last year a plan to develop fishing centers with cold-storage facilities, processing plants and a new transportation system connecting up with existing small ports. Ship maintenance facilities were also considered. A pan-Arab fishing venture, based in Jeddah, operates with 70 million riyals.

While the agreement to create the Arab Company for Fisheries was signed in Riyadh in 1979, it is still being ratified by member nations. So far, Qatar, Iraq, Kuwait, Jordan and Saudi Arabia have joined.

The oldest commercial fishing industry in the Gulf operates from Kuwait. The Gulf Fisheries Co., established in the mid 1960s, built up a modern port to service an efficient trawler fleet for a decade. Since then, the company restricts its fishing to investment deals, and holds up to 12 percent of Lohri's shares.

Kuwaiti fishing concerns have been represented by United Fisher-

ies since 1972, and although their own catches are beginning to be depleted, the Fisheries Training Institute has the expertise to be called in to advise neighboring countries such as Bahrain.

Local fishermen in Bahrain receive technical and financial aid from the Ministry of Commerce and Agriculture, and existing ports at Manama and Sitra are being upgraded to handle an increased load. A new processing plant with freezer capacity is planned at Muharik, with additional fishing centers at Budaiya and Malkaya on the drawing board. The fisheries department is also experimenting with innovative fish-breeding techniques, attempting to coax sweet-water fish into salt-water tanks.

Rich fishing grounds lie north and east of Oman, and in some areas fishing for tuna, barracuda, shrimp, lobster and giant hamsour (groupers) is the main industry. The winter catch of sardines is dried and used for local consumption, for oil, and, as in Abu Dhabi, for animal fodder. About 21 million Omani riyals have been allocated to fisheries under the current five-year plan, much of it granted to the Omani National Fisheries Co. (ONFC).

A joint venture between the Omani government, private invest-

ors and fishermen, ONFC employs 14 percent of the labor force to operate its four deep-sea trawlers and its processing/freezing plants at Murrah, Salalah and Binas.

The chairman of ONFC, Khamsi Ali al-Ashar, announced an export increase of 32 percent in 1983, in the third year of operation. He said that special docking facilities were under construction in the traditional fishing ports of Masira and Masandam. Korean funds back a large processing plant in the Kuria Moria islands, an unusual instance of foreign fishery investment. More may follow in 1985, when Oman's Maritime Science Center in Muscat is completed. Its research will help determine whether the government opts to commercialize the promising lobster catch in the south, where the Ministry for Agriculture and Fisheries estimates that up to 45 tons a year could be hauled in.

Second only to Oman in Gulf fish production, the United Arab Emirates allocates interest-free loans to the local fishermen and has set up ship-maintenance facilities backed by the central government. Large-scale industrial fishing is under way in the northern emirates.

Yemen has yet to initiate any development plans for fisheries, de-

spite keen interest by Japanese companies and the World Bank. Last spring, an EC development aid agreement for farming and fishing was put forward during a visit to Brussels by Fathi Salem Ali Abaidani, deputy chairman of the Common Market's central planning organization. The agreement is still unsigned and the Red Sea off Yemen is still untapped.

The Qatar National Fishing Co., now run by the government, has scaled down operations since the mid-1970s and runs just 3 trawlers in the Gulf and Indian Ocean, along with one processing plant that handles frozen-shrimp exports. The private sector supplies nearly 60 percent of total fish production, and the local boats bring in up to 85 percent of the market demand for fresh fish in Qatar.

Onshore fish breeding is the growth area for Qatari fisheries in the 1980s. A three-year project, shared by the marine section of the Qatar National Museum and Qatar University's marine oceanography department, will inaugurate experimental fish farming there. This reflects the growing concern over fierce competition for depleted fishing stocks. At least four of the Gulf governments are taking action now to ensure that the Gulf will not be fished out.



Turning oil resources into food: Above, a farmer and a wheat field in Qatar. Below, a bag of flour produced from wheat grown in Saudi Arabia by the Grain Silos and Flour Mills Organization. Both countries have invested heavily in agricultural production.



Sharjah is using its gas discoveries to fuel a fertilizer plant (a joint venture with CdF Chemie, to be ready in 1986) and has considered a methanol plant. Ras al-Khaimah has also talked about methanol but its current production of associated gas hardly warrants more than talk, and the emirate's industrial base remains its rocky mountains from which cement is extracted. There's more than enough cement in the UAE but in the Gulf as a whole cement is still being imported; Qatar, however, has been complaining that its Gulf neighbors have been dumping their cement on its market.

Because the Gulf's initial development was mainly in a partnership with European and American companies its initial marketing ef-

World Markets Prepare for the Gulf's Downstream Products

By Sarah Seagriff

ABU DHABI — Attention is focused today on the impact of Gulf downstream products coming on the world market this year and next. In the past, Gulf industrialization has sounded almost a misnomer and Saudi Arabia's huge downstream projects pipedreams of the future.

Now the future has arrived, when European producers are already undermined by recession. Fears of price-cutting abound, despite Saudi denials that they would not do anything of the sort.

Downstream ventures dominate the Gulf industrial scene, with the continuing low prices for crude making value-adding ventures even more attractive. Industrial development still tends to be a government affair, with the Gulf Cooperation Council cautiously edging in on planning and coordination. The private sector is reluctant to invest in industry and prefers to make quicker money through banking and services, despite encouragement by local industrial banks. The range of private-sector products remains as limited as the market:

food, textiles, paper, plastics and, above all, building materials, the one industrial sector to attract the private investor.

Saudi Arabia's new downstream industries are causing particular consternation in Europe, whose plants are already operating below capacity.

Japan, by contrast, began reorganizing its industries some years ago, to take these new sources into consideration. By 1986 Saudi Arabia will be refining 825,000 barrels a day. A joint venture with Mobil began operating in Yanbu in June; another with Shell begins operating in 1985, a third in 1986, all built primarily for the export market.

The Saudi Ministry of Petroleum and Mineral Resources (Petromin) has opened marketing offices in Tokyo, Houston, London and Geneva, and has high hopes of selling its products. Refineries in Singapore are also worried about undercutting. But Petromin insists that it has heavy development costs to recover, that it is dependent on expensive manpower and is looking for long-term contracts for its products rather than the spot market.

The much-dreaded petrochemicals are the preserve of Saudi Arabia Basic Industries Corporation (SABIC) set up in 1976 to develop them (including methanol, ethylene and polyethylene) and fertilizers as well as other non-oil heavy industries. Most of SABIC's ventures are in the two main industrial centers of Yanbu on the Red Sea and Jubail on the Gulf.

Fertilizers are seen as the big growth industry, perhaps coming second to oil in Gulf GDP in the future. Both local Gulf demand as well as demand in India and China could absorb all the new production. The Arab (mainly Gulf) share of the world urea production is already 15 percent — production rose to 2.79 million tons in 1982. The big fertilizer plant at Jubail, a joint venture with the Taiwan Fertilizer Co., has no problem disposing of its 500,000 tons annual urea production. There is an older plant, Saudi Arabia Fertilizer Co., producing 300,000 tons a year since 1970. Even with other Gulf plants in Qatar and Abu Dhabi and another planned for Sharjah, the market is far from saturated.

It is a different picture, however, for other petrochemicals. World prices are well down, and Western European plants are 20 percent below capacity. By 1986, there will be six petrochemical plants in Saudi Arabia (including one with Mobil in Yanbu, with Exxon in Jubail, with Shell Oil of the United States in Jubail, with a Japanese consortium headed by Mitsubishi in Jubail), one in Bahrain, and there is already one in Kuwait and another in Qatar — all of which are bound to bring about a fundamental realignment of the world market.

There are fears that Saudis will cut prices on the basis of cheap feedstock and ruin the world market. European trade unions are already clamoring for protection against possible job losses. SABIC is trying to play down such complaints. Like Petromin, it has high development costs and its staffing is expensive. Again, it hopes for long-term contracts.

The issue was highlighted when the EC imposed a 13.5-percent import duty last June on Saudi methanol for the rest of this year. Its Jubail plant began producing last

year at an annual rate of 600,000 tons. It is allowed to export a certain amount to the EC — 500 tons a year — duty-free under a UN-devised plan to help developing countries. Total EC consumption in 1983 was 2 million tons, of which 300,000 tons were imported. It is clear that Saudi Arabia will have to look elsewhere for main markets.

SABIC is also responsible for the establishment of the Saudi Iron and Steel Co., known as HADEED, which uses associated gas for the direct reduction of iron ores to produce construction materials for the local market, as does the Jeddah Steel Rolling Mill. Steel faces fierce competition from cheaper imports, chiefly from Japan and Taiwan. Further developments in this field are likely to be coordinated within the GCC.

Saudi Arabia is lucky in having plenty of natural gas to feed its industries. Shortages have hurt both Kuwait and Qatar, hence the need to develop Qatar's huge offshore reservoir of nonassociated gas as the possible pipeline to take some of it to Kuwait, another GCC idea. Cuts in crude production have affected petrochemical production in both countries.

Kuwait has tended to invest in overseas producers as much as develop its own potential, hence the 25-percent stake in West Germany's Hoechst Co. — part of the agreement with Hoechst is to buy ammonia from Kuwait — as well as its participation in the Gulf Petrochemicals project in Bahrain.

While Kuwaiti industrial expansion has concentrated on refining, its two refineries at Mina Ahmadi and Mina Abdullah are being expanded to a total of 710,000 barrels a day by the end of 1985. Another 120,000 barrels a day is produced from Kuwaiti-owned refineries abroad.

Qatar's industries suffer from several of the problems inherent in Gulf industrialization — including erratic feedstock, competition from cheaper imports and dependence on expensive expatriates. Its steel plant is a joint venture with Kobe Steel of Japan, yet production is undercut by products from Japan, including Kobe's own.

Bahrain has been the most successful at putting its industry on a reasonably even keel, because of the generosity of Gulf neighbors, who have, in various partnerships with the Bahrainis, given the economy an alternative to falling crude oil production. Nonoil exports accounted for 12 percent of GDP in 1981, most of this related to the aluminum industry, both upstream at Aluminum Bahrain's (ALBA) smelter and downstream at a series of plants producing mainly construction materials for the Gulf market. Plans for an aluminum rolling mill, GARMCO, are well advanced. Saudi Arabia and Kuwait are partners in the petrochemicals venture, which comes on stream in 1985; an iron-pelletizing plant came into production in August this year, and steel is produced by the Arab Iron & Steel Co. (AISCO) with private investment from Saudi Arabia and Kuwait.

In the U.A.E., industry is still developed by individual emirates and there is little coordination between them. At its Ruwais industrial zone, Abu Dhabi has a refinery and fertilizer plant (a joint venture with Compagnie Française des Pétroles), and there are plans for a petroleum coke plant. Other projects have been postponed for the time being. Dubai has an aluminum smelter, DUBAL, at Jebel Ali and the potential for future downstream development from its Margham gas and condensates field.

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A SPECIAL REPORT ON THE GULF STATES

Gulf Bloc Unlikely To Upgrade Links With Egyptians

CAIRO — When King Hussein of Jordan resumed full diplomatic relations with Egypt in September, he sent ripples through the Arab world.

Outside the region, there was speculation that this was the beginning of moves to welcome Egypt back into the Arab fold from which it has been officially excluded since the late President Anwar Sadat signed a peace treaty with Israel in 1979.

Of particular interest was the position that the rich and influential Gulf Arab states would take.

Now that the furor has died down, however, the consensus among Arab diplomats is that the Jordanian move is not likely to be followed by other Arab states, at least not in the near future.

One reason is that the Arab states that do not have full embassies in Cairo have found a *modus vivendi*, and upgrading ties would be of symbolic value only. Most Arab states have high-level diplomats heading their missions in Egypt that are embassies in all but name.

"We have good relations with Egypt," said Bahrain's information minister, Tariq al-Moayyed. "The top Egyptian diplomat in Bahrain holds the rank of ambassador and things are good enough as they stand."

On the Egyptian side, an undersecretary at the Foreign Ministry in Cairo, Halim Badawi, said he did not expect other Arab states to follow Jordan's lead. "I don't even waste my time thinking about it," he said. "If they want to come then *ahlan wa sahlan*, welcome."

The most common scenario for a general resumption of diplomatic ties by the conservative Arabs was one that had Iraq, which receives thousands of Egyptian immigrants, taking the initiative after Jordan.

As a one-time radical Arab state that has turned increasingly toward the West as the Gulf war continued, Iraq's main financial backing has come from the conservative Gulf Arabs. If Iraq were prepared to recognize Egypt, then this might have encouraged the Gulf countries to drop their reserve and follow suit.

But Egyptian officials said that they saw little likelihood of this happening. The decision to cut ties with Egypt was originally taken at an Arab summit in Baghdad in November 1978, and the fact that Iraq hosted the meeting could be a restraining factor, they said. "The Iraqi Ba'athists are very rigid on ideology and we are hearing unconfirmed reports that the Ba'ath leadership is very divided on this issue," one added.

When King Hussein made his decision, he was criticized by Saudi Arabia and some other states for making a unilateral move outside the normal framework of an Arab League summit. But this did not mean that the other Arabs all disagreed.

"We would have preferred a decision at summit level," a high-ranking Gulf official said. "But, unfortunately, a summit is not possible at the moment. So King Hussein decided to move."

"We can understand why Jordan recognized Egypt. It did not want a continuation of the current stalemate. Every day there are more settlements in the West Bank and it is necessary to have some sort of policy that envisions some kind of solution."

An Egyptian diplomat added: "The Jordanian decision was taken in self-interest. Jordan is worried by the stalemate in the Middle East and feels itself choked. The more the stalemate continues, the more the noose is tightened. Opening the

door to Egypt gives it more room for maneuver."

A Bahraini official linked the Jordanian move to the presidential campaign in the United States.

"King Hussein is a smart and astute politician; he wanted something vocal," the Bahraini said. "He wanted to reach some other audience. The American elections could be a factor."

"If nobody did anything, then the two presidential candidates would just have competed to show which one of them loved Israel more."

Ever since President Sadat first started making headway toward peace with Israel, it has been an Egyptian ambition to act one day as liaison or mediator between Israel and other Arab countries, a factor that some Western analysts thought might have influenced King Hussein.

The king's renewal of ties came shortly after Shimon Peres finally succeeded in forming a coalition government in Tel Aviv between his Labor alignment and the outgoing Likud bloc. By Egyptian officials said the new Israeli government showed few signs of working toward a breakthrough in the Middle East peace process.

"Our reading is that this Israeli government can only agree on economic issues," an Egyptian Foreign Ministry official said. "That's their first priority. They might agree on withdrawing from Lebanon, but, otherwise, given the structure of the government, there's no light at the end of the tunnel." Other factors influencing the overall Middle East scene were just as discouraging from an Arab viewpoint, Egyptian officials said.

The Palestine Liberation Organization's parliament-in-exile, the Palestine National Council, has been having difficulties arranging a meeting this year because of divisions between Yasser Arafat's supporters and Syrian-backed radicals. "There is no Palestinian position and no Palestinian-Jordanian talks," one official said. "Hussein is aware of these limitations."

And Syria, Jordan's northern neighbor and bitter rival, shows no signs of compromise, Arab officials said.

"Whatever you do, the Syrians are not going to play ball," an Egyptian diplomat said.

Mr. Badawi, of the Egyptian Foreign Ministry, said that Jordan had been trying to put pressure on Iraq to recognize Cairo as well, "but we are not pressing."

As for other Arab states, Morocco could no longer follow suit because of its recently announced union with radical Libya, Egypt's archrival.

Iraq, like the Gulf states, has stressed that any recognition of Egypt should be decided on at a full Arab summit.

An Arab summit was scheduled for mid-November but was then postponed indefinitely.

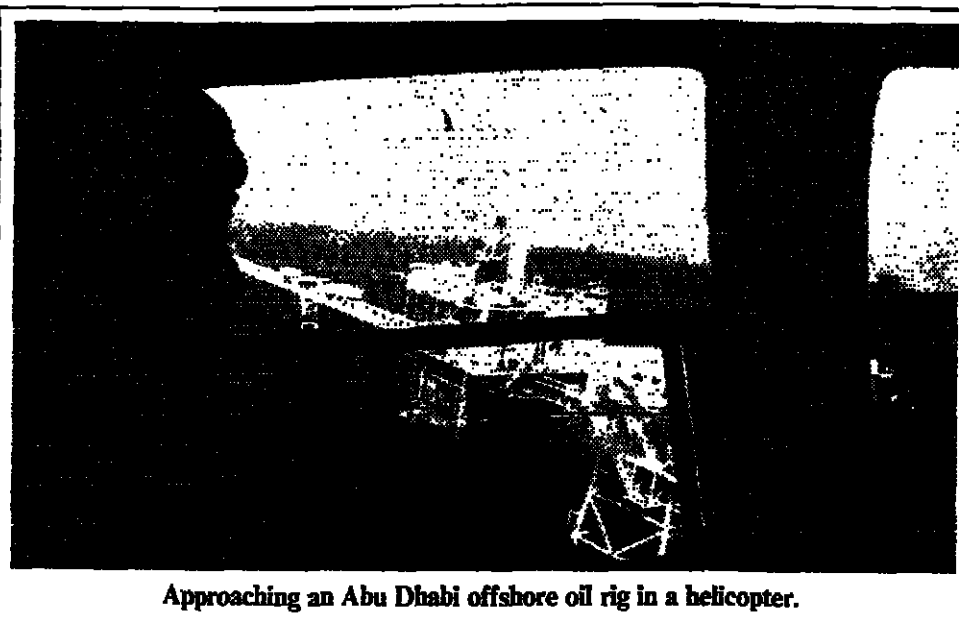
"If there is no further move toward an Arab summit, then maybe Iraq will lose patience and go ahead and recognize us," an Egyptian diplomat said.

Mr. Al-Moayyed, Bahrain's information minister, said the Jordanian move had been welcome because it was a gesture toward Egypt.

Since President Hosni Mubarak succeeded Anwar Sadat in October 1981, the Egyptians have shown a lot of tendencies to cooperate with the Arab world.

He cited Egypt's refusal to return its ambassador to Tel Aviv until Israel withdraws from South Lebanon. "It was time somebody did something for Egypt," he said.

— JULIAN NUNDY



Approaching an Abu Dhabi offshore oil rig in a helicopter.

Banks Shift to Investment Priority

By Olfat Tohamy

CAIRO — Decision-makers in the Gulf states are coming under increasing pressure to face up to the challenge of coordinating and upgrading their banking services and effectively employ monetary policies.

The last few lean years witnessed by all oil-exporting states, including the six members of the Gulf Cooperation Council, have helped alert authorities in these countries to the importance of investing revenues from their perishable main source of income to develop their economies. Last year's squeeze added to their sense of vulnerability and, thus, gave impetus to a drive for long-term planning and self-sufficiency capable of warding off foreign intervention and defending themselves against the fluctuations of the world oil market.

Despite the hard times, ambitious project plans were put together by the Gulf Investment Corp. (GIC), capitalized at \$2.1 billion with equal contribution from the members — Saudi Arabia, Kuwait, Qatar, the United Arab Emirates, Bahrain and Oman. The 15 proposed projects requiring several billion dollars in investments include a 2,000-kilometer (1,240-mile) road linking Oman and Kuwait, a \$500-million tire plant and a heavy-oil conversion plant.

Although these projects originally were not expected to be realized through public funding alone, the question of how joint projects will be financed arises in light of the heavy deficits and investment spending cuts in all the Gulf states, except Kuwait. Figures show that these governments have drawn heavily on valuable foreign assets accumulated during the oil boom.

The burden of securing funding through credit and syndication arrangements falls on the banking system. This applies to GIC and many other projects in which the private sector is expected to participate. Officials in all Gulf states are stressing that the private sector should invest in the creation of an industrial base, aside from trade and speculative business. But the Gulf's largely underdeveloped banks have done little to promote the new trend, and they themselves seem reluctant to join.

The increase in the number of banks over the last few years — ironically coinciding with the slowdown — essentially meant that a larger number of banks were fiercely competing for a smaller — and also shrinking — piece of the cake. Meanwhile, Kuwaiti banks were busy recovering from the Souk al-Manakh crash.

Saudi banks were struggling to rise to the standards imposed by the authorities. Bahrain's offshore banks were desperately fighting for funds to keep the money market going. Its other banks managed to get over the sliding trade, while Saudi and U.A.E. counterparts

crumbled under the strain of a chain of scandals of defaulting and fraud. Qatari bankers waited impatiently for the recovery, as their profits leveled off. But Oman's banks profited from the country's steady growth, unrestrained by stringent quotas or price cuts of the Organization of Petroleum Exporting Countries, since it is not a member of the organization.

Their different ways of reacting to international, regional and local constraints highlight the extent to which it would be hard for decision-makers to set standards or unify regulations binding to banking sectors in all GCC states. This partly explains why the GCC ministerial and other senior committees dealing with financial issues have so far had nothing to announce in the way of policies aimed at enhancing coordination and integration. Aside from occasional calls for unifying the currency, made recently by the Qatar Monetary Agency, and hopes to reach agreement on a regional distribution of roles between the region's monetary and capital markets, officials do not seem to be giving the issue priority.

However, the recent wave of capital outflow produced by a strong dollar and a surge in interest rates on dollar deposits starting last spring has dramatized the importance of devising flexible and effective monetary policies to help defend the market value of Gulf currencies and prevent liquidity

squeezes. These have been aggravated by the lack of growth or actual freeze in the money supply. Currencies such as the Qatari riyal and the Bahraini dinar are pegged to the dollar. But the absence of foreign-exchange controls and the virtual lack of exchange-rate risk have entailed a steady shift toward dollar deposits. The Kuwaiti dinar and Saudi riyal have been gradually dropping in value against the dollar since the beginning of this year.

Although altering interest rates is a conventional monetary policy tool, and raising the rate seems warranted by currency fluctuations, a more diversified credit policy may be required to prevent high interest rates from discouraging private investment. The only experiment in monetary control in Saudi Arabia was SAMA's offering earlier this year of banker security deposit accounts with a 91-day maturity at a discount, which has produced mixed results. Kuwait has resumed issuing Kuwaiti dinar bonds, which is the only capital market instrument in the Kuwaiti market. Of the other Gulf states, only the U.A.E.'s central bank seems interested in regulating its market, largely because of the deterioration of standards among a number of small banks lately.

The crucial issue that remains to be decided by policy-makers in these states is that of the division of roles among the region's money and capital markets.

Gulf States Continuing Aid Throughout Moslem World

ABU DHABI — The Gulf states are justifiably proud of their generosity when it comes to giving aid. Bilateral aid alone, by seven Arab oil-producing states (the six members of the Gulf Cooperation Council and Iraq), between 1973 and 1981 totaled \$36.1 billion, \$21 billion of which came from Saudi Arabia.

Countries in the Organization for Economic Cooperation and Development are inclined, when faced with Gulf statistics in this field, to point out that they can afford to be generous — 13 percent of Abu Dhabi's oil revenue goes in aid but with average per-capita income of about \$22,000 a year, generosity comes easily.

It tends to go primarily to fellow Arabs, followed by fellow Moslems — solidarity first. Saudi aid to Moslem states (multilateral as well as bilateral) in the decade 1973-1982 totaled \$25 billion. The money has been spent mainly on development projects, food imports and balance-of-payments assistance. A lot has also been given to mosques (for instance in Turkish Cyprus) and Islamic centers (as in Ras al-Khaimah, \$1 million to a study center in Jakarta and \$1 million to the International Islamic Union in Khartoum).

A generous amount goes to states in the front-line confrontation with Israel, although both Jordan and Syria have complained of cuts in this aid. Aid in general was cut by about a quarter between 1982 and 1983, reflecting the downturn in oil revenues.

Non-Arabs, non-Moslems — for instance, Ethiopia and other African countries — are treated more cautiously. Stability and prospects for economic growth are important criteria, in other words sound investment. Of total aid from the Organization of Petroleum Exporting Countries between 1973 and 1981, 71 percent went to Asian countries and 29 percent to African (mostly North African — least developed countries, known as LDCs, in Africa received 7 percent). The smallness of this last percentage is partly due to the smaller absorptive capacity of the LDCs.

Nevertheless, the record is impressive. Official development aid (ODA) is 6.5 percent of the U.A.E.'s gross national product, 6 percent of Saudi Arabia's, 4 per-

cent of the members' within the Organization of Arab Petroleum Exporting Countries, 2 percent of OPEC countries', compared with an average of 0.35 percent for the OECD countries'. The official United Nations target is 0.7 percent. These Arab figures do not take into account the unofficial aid from the private purses of the various rulers — hospitals, schools, clinics, tourist facilities and research projects have been bountifully if erratically funded by their personal generosity.

Most Arab aid institutions are based in the Gulf, most of them dependent primarily on Gulf funds. These fall into two groups. First are the national funds — Kuwait Fund for Arab Economic Development (KFAED, set up in 1961), the Abu Dhabi Fund for Arab Economic Development (ADFAED, 1971), the Saudi Fund for Development (SFD, 1974). The second group is multilateral and includes the Arab Fund for Economic and Social Development (AFESD, 1971), the Islamic Development Bank (IDB, 1975), Arab Bank for African Economic Development (BADEA, 1973), OPEC Fund for International Development (OPECIFID, 1976).

Both KFAED and ADFAED were originally set up to channel aid only to other Arabs; immediately after the oil price rise their capital base was expanded (more than tripled in the case of ADFAED) and similarly their range to include non-Arab states. All members of these organizations are themselves developing countries, dependent on their oil revenues to finance their own development. Excluding AMF, they concluded 55 financing and technical agreements in the first quarter of 1984 alone, totaling \$495 million.

Cofinancing is popular — more than half of ADFAED's commitments take this form — but problematic. Project data is often inconsistent and costs overestimated. Most developing countries lack the specialized financial institutions to facilitate participation. One solution — of joint assessment through such bodies as AFESD — has been slow to evolve. Similar problems arise with equity participation, and the funds generally prefer to see the recipient governments joining in.

Nowadays, the Gulf states are looking more critically at their aid disbursements, not so much because there is less to disburse but because of a growing feeling that they could perhaps get something in return.

— SARAH SEARIGHT

CONTRIBUTORS

JULIAN NUNDY, a member of the International Herald Tribune's editorial staff, formerly was a Middle East correspondent for Newsweek magazine.

DILIP HIRO, a London-based writer who specializes in Middle Eastern affairs, contributes to the Guardian and the Sunday Times of London. He is the author of "Inside The Middle East" (Routledge & Kegan Paul, London); his latest book, "Iran Under the Ayatollahs," will be published in January by the same publisher.

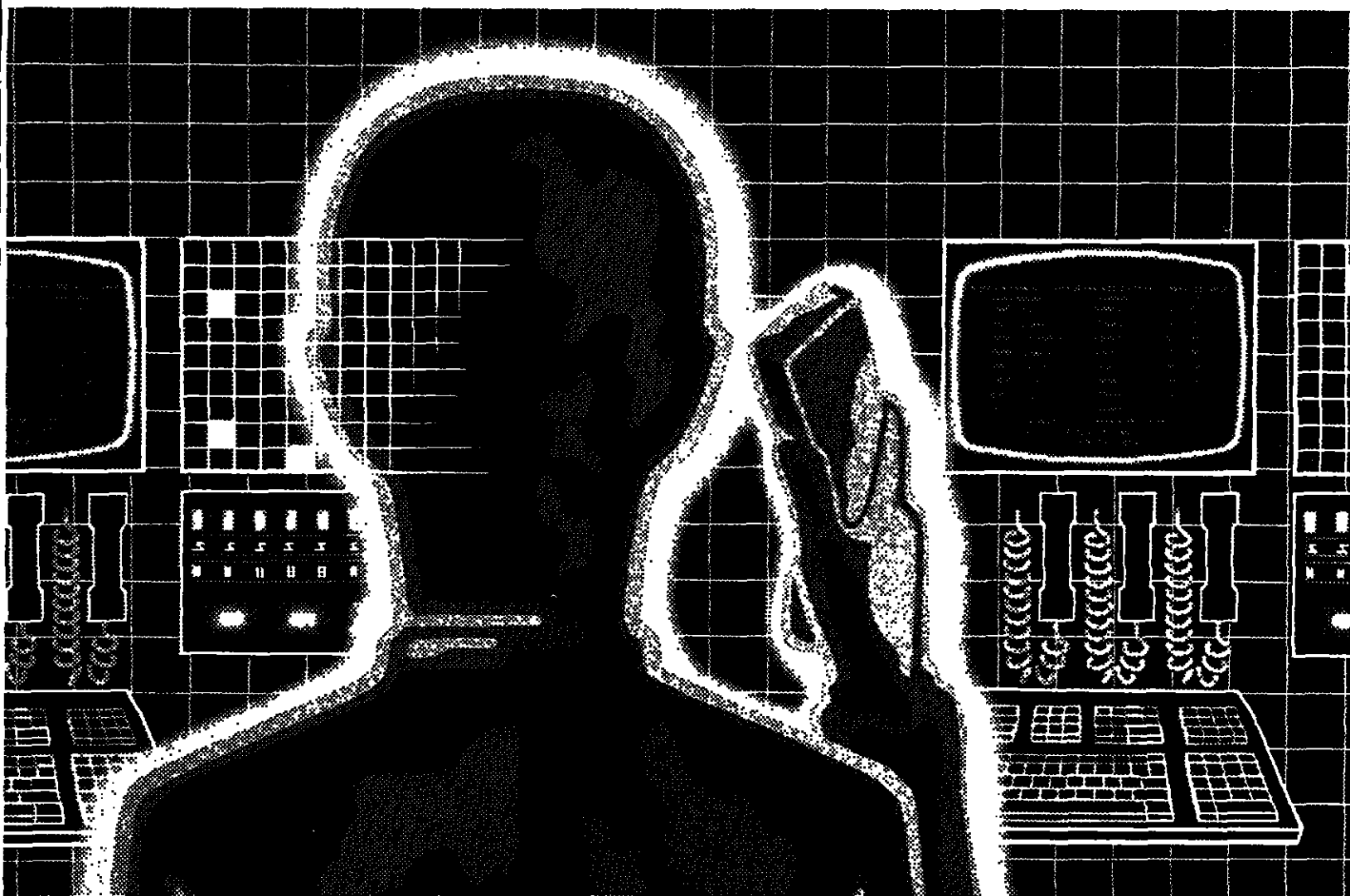
PHILLIP HASTINGS is a London-based journalist who specializes in the transportation industry.

EVA DADRAN is an economic researcher with Middle East Information, a London-based consultancy firm.

SARAH SEARIGHT is a London-based journalist who specializes in the Middle East.

RANDA TAKKIEDINE is the Paris correspondent of An-Nahar Arab report.

OLFAT TOHAMY is a Cairo-based journalist who contributes to The Washington Post.



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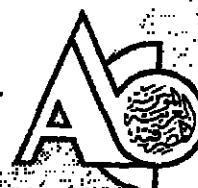
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TECHNOLOGY

GM Applies New Computer To Ancient Metal Craft

By JOHN HOLUSHA
 New York Times Service

WARREN, Michigan—Man has been forming sheet metal into utensils, coins and objects of art for centuries. Long lines of huge stamping presses that crunch coils of sheet steel into shaped panels for auto bodies and appliances of all sizes are a basic starting point of the mass production process.

But for all the sheet metal that has been pounded into shape over the years, not a lot has been known about how the forming process actually works. Tool and die makers relied on experience and intuition to estimate how different materials would flow under pressure from a powerful ram. Proving out dies was typically a long, expensive, cut-and-try procedure that involved actually stamping sample sheets of metal, checking the result and modifying the dies until the right shape was achieved.

Now, General Motors Corp. is applying the high technology of computer modeling to the ancient craft of metal forming. The objective is to change the process of producing dies from a half-understood art to a scientifically based, predictable process.

Sheet metal is formed in a press in two basic ways. The outer edges of the blank sheet are drawn into the die cavity as the punch descends. There is also some stretching of the sheet. Since metal has a tendency to wrinkle around the punch as it is forced into the die, techniques have been developed over the years to produce a smooth surface.

One of the main ways to prevent buckling is to put sharp ridges, known as draw beads, around the outside of the die to control the inward flow of metal and to stretch out the wrinkles effectively before they form.

"Formability is a constant battle between two disasters, buckling and tearing," said Michael L. Weener, a materials specialist in the mathematics department at GM Research Laboratories here. "If you try to form too much, the material breaks. If you don't do it enough, it wrinkles. It's a fine balance."

Since most of the automobiles GM produces are put together from stamped sheets of steel, the company has a strong interest in producing stampings that are neither buckled nor split and in reducing the time needed to develop tooling for new models.

The ability to produce dies that will behave predictably will become increasingly important as the auto industry substitutes thinner, higher-strength steel for the easier-to-form, mild steel used in the past as part of its continuing effort to reduce the weight of cars. Thinner sheets are more difficult to form than the thicker ones of the past, and high strength gives them a tendency to spring back toward their original shape after stamping.

"The plan is to stamp out sheet metal parts on a computer early in the tooling process to see if we can actually manufacture the part as designed," said Robert A. Ayres, a physicist at GM. The system should give new flexibility to designers, he adds, because they will be able to specify new shapes and materials without the fear they will turn into manufacturing nightmares.

The movement of a large sheet of metal in a die is complex and difficult to analyze as a whole. Mathematical models are built on what is known as the finite element method of stress analysis. Shapes are divided into hundreds of small elements, each of which is simple enough to be analyzed in about nine simultaneous equations. These elements are then combined into systems of thousands of equations to describe what happens to the entire sheet. Because the equations are nonlinear, the downward movement of the punch must be modeled at several hundred points to develop an accurate projection of what will happen in metal.

This requires considerable computing power, and GM has recently installed a Cray supercomputer to reduce the time

Formability is a constant battle between buckling and tearing.

Wall Street Firms Take Merchant-Banking Route

By Fred R. Bleakley
 New York Times Service

NEW YORK—After years of urging investors to take a stake in American business, a great many Wall Street firms have decided to follow their own advice.

Increasingly, investment bankers in the United States are acting like their merchant banking counterparts abroad. They are investing their firms' capital in the restructurings of established companies. They are funneling seed money into venture-capital fledglings. And they are becoming real estate tycoons in their own right.

Such large firms as Merrill Lynch & Co., First Boston Corp., Morgan Stanley & Co. and Drexel Burnham Lambert Inc., as well as a fast-growing number of smaller financing specialists, are going well beyond the traditional risk-taking of market-making and underwriting, where if firms buy a company's shares, they do not hold them long.

They are now willing to take the plunge on a longer-term basis. They are also becoming more active as board members in monitoring the progress of these companies.

But the practice is stirring a lively controversy on Wall Street. "We're not comfortable with it," said Ralph D. DeNunzio, president of Kidder, Peabody & Co.

His firm avoids merchant banking because to invest in client companies would "taint us," he said. "Our advice should be totally objective."

Most firms, however, believe there is far more to gain than lose. "It's a very logical trend, considering the high return on capital and that more and more we are engaging in principal, risk-taking activities with our basic products," said Donald B. Marron, chairman of Paine Webber Inc. He said his firm intends in coming months to set aside a pool of capital and formally establish a department for investments of a merchant banking sort.

Other firms are stepping up the search for their own investments. Merrill Lynch already owns about 25 percent of the stock of seven medium-sized corporations it helped restructure as leveraged buyouts. And it is a major investor in four such pending transactions, including the \$1.45-billion purchase of three units of City Investing Co.

Morgan Stanley's portfolio, which began to build five years ago, now includes major real estate holdings and three dozen high-technology venture capital investments. For its part, First Boston has injected \$100 million of its more than \$600 million in capital into a variety of venture capital, real estate and leveraged buyout deals.

Most of Wall Street's merchant banking stems from the current boom in leveraged buyouts, or LBOs. A buyout of a company is leveraged when most of the purchase price is provided by newly arranged debt that the company itself will pay back. The rest comes from equity investors who end up with 100 percent of the stock. First Boston, for instance, will be investing \$2.5 million for one-sixth ownership of American Sterilizer Co. if shareholders accept the pending \$230-million leveraged buyout offer.

Mr. DeNunzio said his firm purposely avoids competing for the equity portion of leveraged buyouts with such firms as Kohlberg Kravis Roberts & Co., specialists in putting the deals together. "One of the reasons we are invited in to help structure LBOs is because the practitioners know our position."

Several other leading investment bankers are less than enthusiastic about merchant banking. Felix G. Rohatyn, senior partner of Lazard Frères & Co., said that despite Lazard's recent participation as an investor in a few leveraged buyouts and despite its reputation two or three decades ago as the prototypical American merchant banker, the firm generally shuns the practice now.

"It's a potential conflict," he said. "Having an investment in a company which you are advising can lead to awkward situations, such as whether or not to dilute ownership by raising new equity." Besides, Mr. Rohatyn said, "We want our capital to be exceedingly liquid, considering the vagaries of our industry."

John H. Gutfreund, chairman of Salomon Brothers Inc., added that, while he is not vehemently opposed to merchant banking with

Major Equity Deals Made by Wall St.

Company	Deal	Investment Date	Amount of Investment	Equity Stake
Amerace Corp.	\$175 million leveraged buyout	1984	\$2-3 million	20%
Tower 50 Stedast Assoc.	400,000 sq. ft. real estate project	1984	n.a.	25-30%
Cygnit Systems Inc.	Venture capital	1984	n.a.	5%
Icon Te Communications Inc.	Venture capital	1984	n.a.	5%
Joyce Beverages Inc.	\$100 million leveraged buyout	1984	\$2-3 million	20%
388 Madison Assoc. 800,000 sq. ft. real estate project		1982	n.a.	25-35%

Company	Deal	Investment Date	Amount of Investment	Equity Stake
Aula Inc.	\$175 million leveraged buyout	1984	\$1.5 million	18%
Itasca Ind.	\$150 million leveraged buyout	1983	\$1.5 million	18%
Signode Corp.	\$430 million leveraged buyout	1982	\$2 million	7%
Morgan Stanley & Co.				
3 Com	Venture capital	1983	\$350,000 (current value \$825,000)	0.7%
Archive	Venture capital	1982	\$500,000 (current value \$1.3 million)	2.6%
Convergent Technologies	Venture capital	1981	\$500,000 (total for \$2.7 million)	1%

The New York Times

the firm's capital, "We don't want to be distracted from our service business by running money for ourselves."

Merchant banking has been around in some form on Wall Street most of this century, starting with such legendary financiers as Jacob Schiff and J.P. Morgan. But, except for the investment positions taken by a few firms, such as Allen & Co. and Oppenheimer & Co. in the 1970s, there had been a hiatus of several decades until recently.

What brought merchant banking roaring back was the lower capital-gains tax rate and the increase in capital at Wall Street firms, (Continued on Page 21, Col. 3)

Volvo Doubles Profit to Record Over 9 Months

By Juris Kaza
 International Herald Tribune

STOCKHOLM—AB Volvo, the Swedish automotive, energy and food group that is the largest private corporation in the Nordic area, reported pretax earnings more than doubled to a record 6.987 billion kronor (\$812.4 million) in the first nine months from 3.21 billion kronor a year ago.

Excluding extraordinary items of 1.38 billion kronor, largely from sales of shares, earnings were up 75 percent to 5.61 billion kronor, Volvo said in an interim report.

Third-quarter earnings totaled 987 million kronor, reflecting a normal seasonal low as well as bottlenecks caused by model changes and shortages of parts, Volvo reported. The figure was up 24 percent from 793 million kronor in the year-earlier period.

Volvo reported nine-month group sales of 62.71 billion kronor, down 8 percent from 71.48 billion kronor a year earlier. The drop reflected a deliberate reduction of oil-trading operations, company officials said.

Sales of Volvo's energy operations, almost entirely STC Scandinavian Trading Co. AB, fell 40 percent to 20.31 billion kronor in the first nine months. Sales of all other major divisions rose.

Third-quarter group sales totaled 19.09 billion kronor, down 7 percent from third quarter 1983.

In a separate announcement, Volvo said it was bidding to acquire the remaining shares outstanding in STC for around 50 kronor per share. Volvo currently holds 83 percent of STC and 97 percent of the voting stock.

Company officials said that full absorption of STC into the Volvo group would relieve them of the often difficult and complicated task of informing outside shareholders and the stock exchange about developments on the oil market.

STC took heavy trading losses in 1983 and was fined by the Stockholm Stock Exchange when managers, who have since left STC,

failed to inform shareholders of the losses in time.

Commenting on Volvo's results, Ian Jacobson, an analyst at London's E.B. Savory Milin, said the market had been expecting higher third-quarter earnings of about 1.1 billion kronor. "They appear to be slightly disappointing," he said.

Pehr G. Gyllenhammar, Volvo's chairman of the board and chief executive officer, said he was satisfied with the profit development but joked, "It would have been better if it were higher."

Volvo's managing director, Hakan Frisinger, said the company's most profitable divisions had been Volvo Car Corp., the passenger car division, and Volvo Penta, a maker of marine engines.

Passenger car sales were up 19 percent to 21.71 billion kronor in the first nine months, but third-

Dollar Gains Against Mark

Reuters

LONDON—The dollar gained against the Deutsche mark Thursday, although Bundesbank intervention dampened trading initially. The U.S. unit ended sharply lower against the French franc, and the British pound also strengthened, as traders reported confusion in the market about the direction of U.S. interest rates.

The pound closed in London at \$1.2283, up from \$1.2265 on Wednesday. In Frankfurt, the dollar ended trading at 2.9895, up from 2.9755 on Tuesday. The Frankfurt exchange was closed Wednesday.

In Paris, the U.S. currency ended the day at 9.187, down from 9.25 Wednesday, while in Tokyo, the dollar finished the session at 243.75, down from 244.75.

U.K. Has Record Deficit In Merchandise Trade

International Herald Tribune

LONDON—The British government reported Thursday a record merchandise-trade deficit for October, but the figures were heavily distorted.

Meanwhile, three major British banks reduced their base lending rates by half a percentage point to 9.5 percent. The cuts by National Westminster Bank, Lloyds Bank and Midland Bank came three days after Barclays Bank, Britain's largest, trimmed its base rate to 9.75 percent from 10 percent.

The developments appeared to have little effect on the pound, which closed in London at \$1.2283, up slightly from Wednesday's close of \$1.2265.

The merchandise trade deficit amounted to \$851 million (\$105 billion), compared with a deficit of \$828 million in September. The current account, which measures trade in goods and services as well as interest, dividends and certain transfers, showed a deficit of \$73 million in October, compared with September's deficit of \$578 million.

The trade figures were distorted by a rush of goods brought in by importers eager to avoid tougher regulations on value-added tax. Since Nov. 1, VAT on imported goods must be paid more promptly.

The London stockbrokerage of Simon & Coates estimated that imports were \$600 million higher in

October than they would have been without the VAT change.

The current account figure also was distorted by a refund of \$528 million paid to Britain by the European Community to settle Britain's complaints that its past contributions to the EC budget were inordinately large.

Britain's trade figures continue to suffer from the nine-month coal strike, which has closed down about two-thirds of the industry. Phillips & Drew, another London brokerage, estimates that the country is paying £250 million to £300 million a month in added oil costs to provide fuel for power plants.

Because of such distortions, "it's very hard to get an underlying picture from these numbers," said Tim O'Dell, an economist at Phillips & Drew. But Mr. O'Dell said he saw signs that the weakening of the pound and stronger world trade were starting to nudge British exports upward.

Even so, he argued that the British government's trade projections are too optimistic. The government has forecast that the current account will be in balance for the full year, though it shows a deficit of \$985 million for the first 10 months. Mr. O'Dell said the deficit for the year could easily be as large as £500 million.

For 1985, the government forecasts a surplus of £2.5 billion. Mr. O'Dell's forecast calls for a surplus of £1.5 billion.

Pöhl Links the Strong Dollar To 'Danger' of Protectionism

By Warren Geller
 International Herald Tribune

BONN—The president of the West German Bundesbank, Karl Otto Pöhl, said Thursday that a slightly lower exchange rate of the U.S. dollar against the Deutsche mark would serve the interests of both Bonn and Washington in reducing what he sees as a "growing threat" of trade protectionism in the United States.

Mr. Pöhl said the West German central bank is little troubled by the current exchange rate of around 3 DM to the dollar, with the dollar's surge helping to boost West German exports to the United States by about 50 percent on the year. He cautioned, however, if the dollar remains persistently strong into 1985 it would raise "the risk that protectionism in the United States will grow as the competitiveness of American products is eroded."

Mr. Pöhl, speaking to the Foreign Press Association in Bonn, said the chances are good for a "soft landing" of the U.S. economy

after the rapid growth experienced in the first half of 1984. He said that the dollar has been strengthened and will remain strong largely because "there is no real alternative" to the U.S. currency.

"Normally we would expect downward pressure on the currency of a country whose interest rates are falling and whose current account deficit is widening—to some \$80 or \$100 billion this year—but this has not been the case with the U.S. dollar," Mr. Pöhl said.

He said a decline in U.S. interest rates, including this week's cut in the discount rate by the U.S. Federal Reserve, would have little effect on the dollar-mark exchange rate because West German rates have fallen nearly proportionately, leaving the interest-rate differential between the two countries relatively unchanged.

Market interest rates in the United States have remained about 4.5 percentage points higher than West German rates, and have thus attracted foreign capital to the United States.

Currency Rates

Late interbank rates on Nov. 22, excluding fees.
 Official fixings for Amsterdam, Brussels, Milan, Paris.

	\$	DM	F.F.	£	Yen	S.F.	Yen
Amsterdam	3.38	4.19	112.84	34.75	1.1814	5.601	126.09
Brussels	66.25	74.75	20.149	6.592	3.34	17.86	24.275
Frankfurt	2.095	3.971	10.40	3.20	86.1	4.957	120.85
London (a)	1.2283	—	3.695	11.215	2.2910	4.19	74.66
Milan	1.8030	2.2910	62.00	20.24	—	59.40	30.84
New York (b)	—	—	—	—	—	—	—
Paris	9.187	11.335	30.60	—	4.93	27.88	15.225
Tokyo	242.05	302.86	81.49	26.59	13.19	72.35	49.14
Zurich	2.095	3.965	10.374	3.20	85.94	4.957	120.85
1 ECU	0.7464	0.8481	2.229	0.826	1.4629	2.5152	14.691
1 SDR	0.99655	0.81142	1.60	0.2571	1.0781	3.297	60.461
	—	—	—	—	—	—	2.953

(a) Sterling/1985 Irish £
 (b) Commercial franc (c) Amounts needed to buy one pound (d) Amounts needed to buy one dollar (e) Units of 100 units of 1,000 (f) Units of 10,000
 N.A.: not quoted; N.A.: not available.

Interest Rates

Eurocurrency Deposits Nov. 22									
1M	3M	6M	9M	12M	18M	24M	36M	48M	60M
1M	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
3M	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
6M	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
9M	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
12M	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75

Asian Dollar Rates Nov. 22

1 mo.	3 mo.	6 mo.	9 mo.	12 mo.
1M	9.75	9.75	9.75	9.75
3M	9.75	9.75	9.75	9.75
6M	9.75	9.75	9.75	9.75
9M	9.75	9.75	9.75	9.75
12M	9.75	9.75	9.75	9.75

Key Money Rates

United States	Class	Prev.	Britain	Class	Prev.
Discount Rate	5 1/2%	5 1/2%	Bank Base Rate	9 1/2%	9 1/2%
Federal Funds	Closed	9 1/2%	Call Money	10 1/2%	10 1/2%
Prime Rate	11 1/2%	11 1/2%	91-day Treasury Bill	9 1/2%	9 1/2%
Broker Loan Rate	10 1/2%-11 1/2%	—	3-month Treasury Bill	9 1/2%	9 1/2%
Com. Paper, 28-79 days	—	8 1/2%	Japan	—	—
3-month Treasury Bill	—	8 1/2%	Discount Rate	5	5
6-month Treasury Bill	—	8 1/2%	Call Money	6 3/4%	6 3/4%
CDs 28-90 days	—	8 1/2%	60-day Interbank	6 1/2%	6 1/2%
CDs 90-360 days	—	8 1/2%	—	—	—

SOURCES: Commercial Bank of Tokyo, Lloyds Bank.

Markets Closed

Financial markets, banks and government offices were closed Thursday in the United States for a holiday.



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Shown at left, the head office of Trade Development Bank, Geneva.

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BUSINESS ROUNDUP

Dee Buys BAT Unit for \$219 Million

Reuters
LONDON — BAT Industries PLC, the British tobacco, printing and stores company, is to sell its International Stores Ltd. unit to Dee Corp. PLC for £180 million (\$219.6 million), it was announced Thursday.

The two companies said the sale to Dee, a food-store company, will involve £13.2 million new Dee ordinary shares, which are being conditionally placed at £1.60 each.

Dee said its current business is doing well and profitability is expected to improve with the acquisition of International Stores. No dilution of earnings should result.

BAT has said that International's pretax profit for the year ending Dec. 29 will be at least £11.1 million before property sale gains.

International's gains on property disposals, less the cost of store closures, are expected to be at least £4.1 million.

Under the sale agreement, Dee will be acquiring cash of £30.2 million in addition to International's other assets.

BAT said in a separate statement that the group remains firmly committed to further investment in other parts of its worldwide retailing business, particularly in the United States, West Germany and Britain.

The sale to Dee, which represents a strategic decision to concentrate on other lines, only concerns food retailing in Britain, BAT said.

BAT shares closed unchanged Thursday at 276 pence on the London Stock Exchange after the announcement of the sale.

Dee, formerly Linford Holdings, said the combined operations of its Gateway food chain and International Stores will have annual sales of £1.6 billion, giving Dee 7.2 percent of the British grocery market.

Both Dee and BAT said they were confident that the British Office of Fair Trading will approve the sale of International Stores because it would stimulate competition between grocery chains.

BAT said an accountant's report going to Dee shareholders will show that International Stores had losses each year from 1979 to 1981. The losses followed substantial and costly reorganization, but were partly offset by property-disposal gains.

International was profitable in 1982 and last year posted a £13-million pretax profit on sales of £704 million, after crediting £400,000 for property-sale gains.

On Dec. 31, 1983, International had tax losses carried forward totaling about £30 million.

Separately, Dee said it expects the government's monopolies commission to appear its bid for Booker McConnell PLC, though its takeover approach is unlikely to be renewed immediately following any favorable ruling.

Booker rejected a £232-million bid by Dee.

Tricentrol Says Profit Rose 15%

Reuters
LONDON — Tricentrol PLC, the British oil company, reported Thursday that third-quarter pretax profit rose 15 percent to £13.2 million (\$16.1 million) from £11.4 million a year earlier.

But for the first nine months ended Sept. 30, pretax profit totaled £28.3 million, down 11 percent from £31.6 million in the year-earlier period.

An extraordinary charge of £30.9 million related to a £41.9-million loss incurred by selling certain U.S. assets was partly offset by an £11-million deferred corporate tax credit, the company said.

This credit arose from tax changes in this year's British budget.

Tricentrol said it is continuing an active drilling program during the fourth quarter following several significant oil and gas finds this year.

Recent successes include gas discoveries in the North Sea and major oil discoveries in wells off Western Australia.

Tricentrol also shared in an oil find in Alberta's Zama Basin, and its West Cameron block in the Gulf of Mexico is now in production, it said.

The company also has acquired a 12½-percent stake in the East Shukhrat exploration field in the Gulf of Suez.

IBM Studies Reports of PC Problems

By Donald Woutat
Los Angeles Times Service
LOS ANGELES — International Business Machines Corp. is investigating reports of problems with its new top-of-the-line personal computer, the PC-AT, which went on sale in September.

One retailer said Wednesday that the problems have affected about 10 percent of the ATs that his stores have received, aggravating what is already a shortage of the machines. The problems involve malfunctions in the disc drive and memory function, the retailer said.

"It's not a major problem, but it's an irritating one when they're already in such short supply," said Ed Ramos, president of Future Information Systems, whose two New York City stores sell computers to large businesses. Mr. Ramos said he normally experiences a failure rate of 1 to 2 percent among products he sells and that the problem does not crop up in all IBM shipments.

He added that IBM "has been able to fix them by replacing parts. It might have been a bad batch of components." Mr. Ramos said that two IBM officials visited his stores last week to examine the faulty machines.

Seymour Merrin, chairman and chief executive of three New England-based ComputerWorks stores, said he has not experienced any problems with ATs. He added that his company has not received

Sumitomo Says Revenue Fell in 6-Month Period

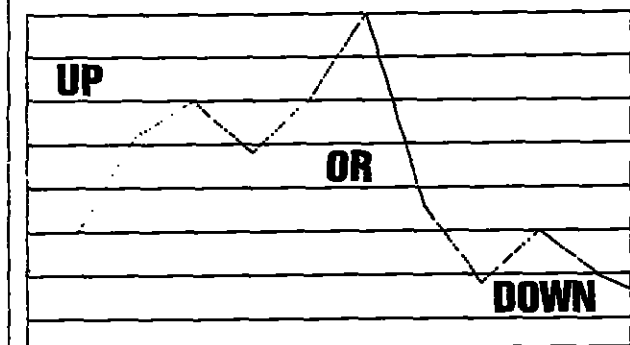
Reuters
TOKYO — Sumitomo Bank Ltd. said Thursday that revenues from international operations in the six months ended Sept. 30 fell 6 percent to 32.69 billion yen (\$134.3 million) from the previous year as the result of rising competition and high U.S. interest rates.

Sumitomo earlier announced an 8.5-percent drop in its half-year tax profit to 35.91 billion yen. It said that it remained the most profitable bank in Japan for the seventh consecutive half-year.

Sumitomo attributed an 11.3-percent fall in current profits to 74.66 billion yen mainly to narrower interest margins caused by a time-lag factor resulting from a cut in the official discount rate in October 1983. That was followed by lower prime rates and intense competition.

The company said higher fund-raising costs caused by high U.S. interest rates were also responsible for the decline in current profits, in spite of its efforts to increase foreign-exchange transactions as well as corporate lending.

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Boots Profit Rose 22% in First Half

Reuters
LONDON — Boots Co., the British retail drug-store concern, said first-half pretax earnings rose 22 percent to £79.9 million (\$97.5 million) from £65.1 million a year earlier.

Sales excluding value-added tax were 11 percent higher, at £290.1 million compared with £264 million a year earlier.

The company said it expects continuing profit improvement during the remainder of its financial year ending March 31, although the rate of increase is likely to be less than in the first half.

General Dynamics Strike Ends

The Associated Press
FORT WORTH, Texas — Members of the International Association of Machinists approved on Wednesday a new three-year contract with General Dynamics Corp., ending a 17-day strike against the aerospace manufacturer.

General Dynamics makes F-16 fighter jets at the plant.

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Lorho Officials to Quit Fraser Board

Reuters
LONDON — House of Fraser PLC, Britain's largest department store group, said Thursday that Lorho PLC's chairman, Lord Duncan-Sandys, and its chief executive officer, Roland W. "Tiny" Rowland, intend to resign from the Fraser board as of Dec. 31.

Earlier this month Lorho, the international trading group, sold its 29.9-percent stake in Fraser to a private Egyptian firm, al-Fayed Investment & Trust (UK), for £138.2 million (\$174.1 million). A week later Lorho repurchased a holding of about 4.5 percent in Fraser.

Mr. Rowland and his associates were not available for comment Thursday. A House of Fraser spokesman said the two sides had agreed not to provide any other details.

Market sources said Lorho had indicated earlier that it would maintain its interest in the House of Fraser, which owns Harrods, the London department store. Lorho had tried in the past to force Fraser to sell Harrods.

Tender for Advanced Solar

Los Angeles Times Service
CITY OF INDUSTRY, California — Stauffer Chemical Co. has begun a \$19-million tender offer intended to give it a majority interest in Applied Solar Energy Corp., a maker of solar cells for spacecraft. Applied Solar's directors recommended that stockholders accept the offer.

COMPANY NOTES

Asea AB of Sweden, Europe's leading robot maker, plans to triple production in Japan by establishing a plant capable of turning out 300 to 1,000 industrial robots a year, the company said.

BL PLC, the British automaker, reported normal working at its Austin-Rover subsidiary after unionized workers at the Longbridge plant in England's West Midlands voted Wednesday to end their strike and accept the company's offer of a 10-percent pay increase over two years.

British Electric Traction Co. said it is writing off £14 million (\$17.1 million) on the sale of its computer-making subsidiary, Rediffusion Computers Ltd., to a management and institutional consortium. Rediffusion computers lost £84,000 in the first half of 1984.

Cie. Financière de Suez, the state-owned French financial and industrial holding company, said it plans to raise money on financial markets next year. Separately, the group has acquired a 51-percent stake in Banque Ventes et Commerce de Paris and a 34-percent stake in Banque Parisienne de Crédit.

Deutsche Lufthansa AG, the

West German airline, said 1984 net will not fall below last year's 63 million Deutsche marks (\$188.4 million). Productivity has risen by 12 percent so far this year compared with 6 percent in the whole of 1983, the company said.

Dunlop Olympic Ltd. of Australia is to be sued by the U.S. Justice Department on antitrust grounds over its proposed acquisition of Youngs Drug Products Corp., the second largest U.S. condom manufacturer. Dunlop's subsidiary, Ansell Inc. of Dothan, Alabama, is the largest U.S. condom maker.

Flagler Bank Corp. of the United States said its board voted to increase its annual cash dividend on its common stock 27 percent. The dividend is payable Jan. 2 to holders of record Dec. 21.

International Harvester Co., the leading U.S. producer of heavy trucks, may soon announce the sale of its farm-equipment business to Tenneco Inc., analysts said. A merger with Tenneco's I.L. Case division, which makes farm and construction equipment, would produce a stronger competitor in the beleaguered industry, they said.

Koninklijke Nedlloyd Groep NV, the Dutch shipping group, said it

expects second-half 1984 net to be significantly higher than the 52.4-million-guilder (\$15.4-million) net in the first half. In 1983, Nedlloyd posted a net loss of 94.4 million guilders. It attributed this year's profit chiefly to improvements in the liner business and good results from oil exploration.

NZL Corp., a New Zealand-based financing company, said its Australian unit, NZI Financial Corp., will acquire Armco Australia Financial Corp., a subsidiary of Armco Inc. of the United States, subject to official approvals. No financial details were available.

Siemens AG, the West German

electrical group, said it has an order to supply Australian radio-link equipment worth more than 60 million Deutsche marks (\$20.1 million).

SMS Schömann-Stemag AG, the West German plant-making unit of Gutehoffnungshütte Aktiengesellschaft, expects good results for the next two years, but did not detail group profit in the year ended June 30. Parent-company net fell 11 percent to 25.6 million Deutsche marks (\$8.5 million) from 28.8 million DM the previous year, despite a 5-percent rise in sales to 526 million DM from 500 million DM.

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Amsterdam, November 16, 1984.

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AMSTERDAM DEPOSITORY COMPANY N.V.
Amsterdam, November 16, 1984.

STOCK

	BID	ASK
DeVoe-Holbein	99 1/2	100 1/2
International bv	2 1/2	3 1/2

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340	340.45	340.45	340.45	340.45	340.45
350	350.15	350.15	350.15	350.15	350.15
360	360.15	360.15	360.15	360.15	360.15
370	370.15	370.15	370.15	370.15	370.15
380	380.15	380.15	380.15	380.15	380.15
390	390.15	390.15	390.15	390.15	390.15
400	400.15	400.15	400.15	400.15	400.15

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AMSTERDAM DEPOSITORY COMPANY N.V.
Amsterdam, November 16, 1984.

Paris Commodities
Nov. 22

Super in French Francs per metric ton. Other figures in Francs per 100 kg.

SUGAR

	High	Low	Close	Chrgs
Nov.	1475	1453	1463	1465
Dec.	1465	1443	1453	1455
Jan.	1455	1433	1443	1445
Feb.	1445	1423	1433	1435
Mar.	1435	1413	1423	1425
Apr.	1425	1403	1413	1415
May	1415	1393	1403	1405
Jun.	1405	1383	1393	1395
Jul.	1395	1373	1383	1385
Aug.	1385	1363	1373	1375
Sep.	1375	1353	1363	1365
Oct.	1365	1343	1353	1355
Nov.	1355	1333	1343	1345
Dec.	1345	1323	1333	1335
Jan.	1335	1313	1323	1325
Feb.	1325	1303	1313	1315
Mar.	1315	1293	1303	1305
Apr.	1305	1283	1293	1295
May	1295	1273	1283	1285
Jun.	1285	1263	1273	1275
Jul.	1275	1253	1263	1265
Aug.	1265	1243	1253	1255
Sep.	1255	1233	1243	1245
Oct.	1245	1223	1233	1235
Nov.	1235	1213	1223	1225
Dec.	1225	1203	1213	1215
Jan.	1215	1193	1203	1205
Feb.	1205	1183	1193	1195
Mar.	1195	1173	1183	1185
Apr.	1185	1163	1173	1175
May	1175	1153	1163	1165
Jun.	1165	1143	1153	1155
Jul.	1155	1133	1143	1145
Aug.	1145	1123	1133	1135
Sep.	1135	1113	1123	1125
Oct.	1125	1103	1113	1115
Nov.	1115	1093	1103	1105
Dec.	1105	1083	1093	1095
Jan.	1095	1073	1083	1085
Feb.	1085	1063	1073	1075
Mar.	1075	1053	1063	1065
Apr.	1065	1043	1053	1055
May	1055	1033	1043	1045
Jun.	1045	1023	1033	1035
Jul.	1035	1013	1023	1025
Aug.	1025	1003	1013	1015
Sep.	1015	993	1003	1005
Oct.	1005	983	993	995
Nov.	995	973	983	985
Dec.	985	963	973	975
Jan.	975	953	963	965
Feb.	965	943	953	955
Mar.	955	933	943	945
Apr.	945	923	933	935
May	935	913	923	925
Jun.	925	903	913	915
Jul.	915	893	903	905
Aug.	905	883	893	895
Sep.	895	873	883	885
Oct.	885	863	873	875
Nov.	875	853	863	865
Dec.	865	843	853	855
Jan.	855	833	843	845
Feb.	845	823	833	835
Mar.	835	813	823	825
Apr.	825	803	813	815
May	815	793	803	805
Jun.	805	783	793	795
Jul.	795	773	783	785
Aug.	785	763	773	775

Austria Vows to Curb Soviet Bloc Re-Exports

By Don Shannon
Los Angeles Times Service

WASHINGTON — Austria will tighten its customs laws in an effort to close what is believed to be one of the main channels for the leak of U.S. high-technology equipment to Soviet bloc nations and to bolster U.S. confidence in its export controls, the Austrian ambassador to the United States has said.

Ambassador Thomas Klitel, speaking with reporters Wednesday, said the Austrian parliament was expected to pass legislation by the end of the year designed to curb the illegal re-export to Soviet bloc countries of U.S. equipment such as computers.

"With this law, we shouldn't have any problem," he declared. In the first nine months of 1984, Austria — a substantial buyer of U.S. high technology — imported \$100-million worth of computers and associated goods, two thirds of it American-made, according to the Austrian Trade Council, Christian Prohl, who also attended the meeting.

Department of Commerce regulations allow U.S. high technology to be sold freely for domestic use within Austria, but the equipment cannot be re-exported to Eastern Europe without a special license. It is the diversion of these domestic sales that have increasingly concerned U.S. authorities, who expressed satisfaction that the Austrians were strengthening their customs controls.

Although State and Commerce Department officials say specific figures on the number of re-export

violations are not available, they have charged that a significant amount of "dual use" equipment — items having both a civilian and a military purpose — has filtered across to Soviet bloc countries from Vienna.

Mr. Klitel stressed that the new legislation, backed by all Austrian political parties as well as by business interests, was being put together because Austria wanted to affirm its reputation as a reliable U.S. trading partner. But "there was no question of acting under U.S. pressure," he maintained, despite friction between Vienna and Washington over the issue in the past.

Under the new legislation, Austrian officials could intervene by fining or imprisoning violators and seizing contraband goods as soon as they suspect wrongdoing, Mr. Klitel said. The current law, which includes only vague penalties, requires the Austrian government first to waste through time-consuming paper work, he said.

Mr. Klitel indicated that even the legal re-export sales may have encountered snags because of U.S. concern at the diversion of non-licensed equipment. For example, he said, "We experienced serious delays on a plant we were building for East Germany, a contract worth \$35 million or \$40 million, of which only about 2 percent was American technology — but it was a vital part."

The ambassador said Austria places no controls on its own technology but understands U.S. concern about American technological exports.

\$700-Million FRN Issue Is Launched by Sweden

By Carl Gewirtz
International Herald Tribune

PARIS — Sweden, which is now the biggest West European borrower in the international capital market, launched on Thursday \$700 million of 20-year floating-rate notes and a companion package of "income rights" to boost the yield.

The proceeds of the issue, along with the \$500 million of FRNs sold earlier this month, will be used to prepay \$1.2 billion of more expensive notes issued last year. Interest on that issue, which Sweden last week announced it will, was set at 14 percent over the London interbank offered rate.

Interest on the new notes, like those sold earlier this month, will be set at the London interbank bid rate, normally 1/4 point below Libor. Following the procedure on the \$500-million issue (which was five times oversubscribed), banks interested in taking the notes are to submit competitive bids. On that transaction, the accepted bids ranged from a discount of 99.25 to 99.35, with the average accepted price at 99.28. That paper is currently quoted at 99.26-99.31.

A unique character of the new issue is that takers are also being offered, at \$70 each, income rights that will yield 3 1/2 percent a year on a notional principal amount of \$10,000. (The FRNs are sold in minimum units of \$10,000.)

The payment for the income rights enables investors to convert the initial discounted offering price into a higher annual yield. The lead manager, Morgan Guaranty Trust, believes this may widen the appeal of the paper to institutional investors who need to match their Libor-based liabilities with assets based on Libor and are thus reluctant to buy Libid assets.

The income rights, for five years, are timed to coincide with the first redemption option that investors have to request repayment on the FRN. The money generated by the sale of the rights, a maximum of \$4.9 million, will be invested by Sweden to produce the income Sweden will need to pay out.

The cost to Sweden for the FRNs sold without income rights or those sold with them is identical. The higher running yield on the notes with income rights will be purely a function of the price paid to acquire the additional income.

The income rights are only available to investors taking the FRNs and then in proportion to the amount subscribed. Morgan officials believe that fewer than one-third of the subscribers will seek to buy income rights.

Competitive bids, or noncompetitive bids to take paper at the average price, are to be submitted by next Thursday.

Sweden is also raising in the fixed-rate market \$200 million of 11 1/2 percent, five-year notes and \$100 million of 11 1/2 percent, 10-year bonds. Sweden has also asked banks to submit bids for \$200 million of short-term Euro notes, which form part of a \$4-billion note facility organized earlier this year.

Swedish car deliveries in the first nine months of 1983, Mr. Frisinger said, totaled 297,000, up from 267,000 a year ago, the interim report said.

Truck sales totaled 11.04 billion kronor, up 48 percent from the first nine months of 1983. Mr. Frisinger said he was especially pleased with truck sales in the United States. The subsidiary Volvo-White Truck was expected to double deliveries this year to about 9,600 locally produced heavy trucks. Including about 2,800 other Volvo truck models, Mr. Frisinger said he expected Volvo truck deliveries in the United States to total around 12,000.

Commenting on Volvo's talks on a possible merger with Clark Michigan Co., a maker of construction and mining equipment, Mr. Frisinger said: "The possibilities we saw when we started the talks are the same today." He said he hoped the discussions would conclude by the end of the year.

Volvo officials also said the company's American subsidiary, Volvo of America, would start trading on the U.S. over-the-counter market the first week in December. Volvo shares will be listed on the Paris Bourse on Dec. 5, they added.

BUSINESS PEOPLE

BankAmerica Opens a New Unit in Paris

By Brenda Hagerty
International Herald Tribune

LONDON — Bank of America has established a new subsidiary in France that will participate in bond underwriting and provide specialist financial services for corporate and private clients.

The new unit, Bank of America (France) SA, has start-up capital of 200 million francs (\$21.6 million). Jacques Faville, Bank of America's manager for France, was named president of the new Paris-based unit. Gerard de Gansy, vice president in the Paris branch of Bank of America, was appointed managing director.

Citicorp Australia Ltd. of Sydney has named Michael J. Cannon-Brookes chairman, effective Dec. 10. He will also act as country corporate officer for Australia and head of Citicorp's institutional bank in Australia. Mr. Cannon-Brookes will also supervise Citicorp's activities in New Zealand. He was formerly division head for the capital markets group, based in Hong Kong, where he supervised merchant and private banking operations for Citicorp in the Asia-Pacific region. He succeeds Richard Jackson, who has been transferred to Zurich, where he serves as head of Citicorp's investment banking operations in continental Europe.

Irving Trust Co. of New York has opened a representative office in Bangkok and named Michael J. Rauter representative. He previously was in the bank's Taipei branch.

Fluor Corp., the California-based engineering, construction and natural-resources management company, has named Edward S. Hsia president of its Fluor China unit. He had been vice president of Fluor's Northern California divi-



Middle East Bank Ltd. of Dubai said its chairman, Majid al-Furtaim, will take on the additional title of chief executive on Dec. 1, when M. Yassar el-Bitar retires from that post.

sion, a post in which he supervised Fluor's mining projects in China. Mr. Hsia succeeds Harold W. Sorensen, who was named director emeritus of Fluor China.

UBAF Bank Ltd. of London has appointed Peter Taplin chief executive, effective Feb. 1. He will be replacing at that time, Mohamed Fazzani, currently general manager of the bank, has been appointed to the new post of deputy chief executive, effective the same date. Mr. Taplin currently is an assistant general manager in the international division of Midland Bank PLC, which owns 25 percent of UBAF Bank. Other shareholders in UBAF Bank are UBC Nederland BV, with 50 percent, and Libyan Arab Foreign Bank, with 25 percent.

ITT Europe Inc. has appointed James R. Sexton a senior vice president. Mr. Sexton is director of operations management for ITT Europe, which is based in Brussels. ITT Europe is a unit of ITT Corp. of the United States.

Banca Rasini of Milan said Nello Celio has been appointed chairman and Giuseppe Lazzaroni vice chairman and managing director. Standard Chartered Bank PLC said Michael Brown, chief manager in Singapore, has been named to the new post of area general manager in Singapore. Mr. Brown will also have responsibility for operations in Indonesia and Brunei Darussalam. Peter Cameron, currently chief manager in Malaysia, was appointed area general manager in Malaysia, also a new post. He will be in charge of the bank's operations in Malaysia and Thailand.

Nomura Securities Co. of Tokyo has appointed Masaki Kurokawa a managing director of its main board and chairman of Nomura International Ltd. in London. He will be responsible for Nomura Securities' international division and the corporate finance division from Tokyo. In his new post, which is effective early next year, Mr. Kurokawa will divide his time between Tokyo and London. Hitoshi Tonomura will succeed Mr. Kurokawa as president and chief operating officer of Nomura International Ltd. in London. He currently is based in Tokyo.

Equity & Life Assurance Society PLC said Peter Shelley has been appointed, effective Jan. 1, as managing director of L'Union Européenne group of companies, its

Belgian subsidiaries. Based in Brussels, he will succeed Hubert della Faille, who is leaving the company.

Union Carbide Corp. has named A.W. (Bill) Lutz chairman of Union Carbide Eastern Inc., a Hong Kong-based unit. He fills the vacancy created by the death last month of James B. Law. Mr. Lutz moves to Hong Kong from his post of president of the international petrochemicals division of Union Carbide. Separately, Noel J. Moden was named chairman and president of Union Carbide Africa & Middle East Inc. Battery Products. He succeeds Boris Sokoloff, who retired. Union Carbide is based in Danbury, Connecticut, and is a maker of petrochemicals, industrial gases, metals and consumer and specialty products.

Kansallis-Osake-Pankki, Finland's largest commercial bank, has opened its new unit in Singapore. Kari Janhunen serves as managing director of the new unit, Kansallis International Bank (Asia-Pacific) Ltd. He had been KOP's representative in Singapore and associate director of the Singapore branch of Nordic Bank PLC. Frank G. Lönqvist is the unit's business development manager and Seppo Solonen its chief dealer. Mr. Lönqvist was with Lloyds Bank International Ltd. in London. Mr. Solonen previously was in Luxembourg as chief dealer of Kansallis International Bank SA.

Ricoh Co., the Japanese maker of copiers and other office equipment, has formed a London-based unit to provide financial services for its users and dealers and for its subsidiaries and affiliates in Europe. The new unit, Ricoh Finance Ltd., is headed by Shojiro Hayashi, who serves as managing director. He previously was managing director of Ricoh's operations in Switzerland, based in Zurich. Shigeki (Stewart) Maruyama has been appointed marketing and planning manager for Ricoh UK Ltd., succeeding Charles Coley, who has left the company. Mr. Maruyama previously was special assistant to Ricoh UK's managing director.

Union Bank of the Middle East Ltd., Dubai, has opened a Far East representative office in Hong Kong headed by I.W. Monaghan. Citicorp's Molybdenum SA, a Paris-based unit of the diversified U.S. natural resources group Amex Inc.,

has named Hans-Jorg Figge to the new post of director, commercial services. He was assistant controller of Paris-based Amex Europe. Libbey-Owens-Ford Co. said Dennis N. Clewlyn-Davies, an executive director of the British glassmaker Pilkington Brothers PLC, was elected a director. Libbey-Owens is a U.S. glass, plastics and fluid-power concern in which Pilkington holds a 30-percent share.

Morgan Stanley International, London, said Colin Hyndman has joined its equity department, with

responsibility for international equity operations. He was with Goldman Sachs in London. Brendan Tynan has joined Morgan Stanley's dollar fixed-rate desk from Salomon Brothers International, and Jacques Clegnac has joined its Eurobond sales department.

Hertz UK has named John Howard, formerly operations director, to the post of general manager, succeeding Chris Kelly, who has left the company. Hertz Corp. is the New York-based vehicle rental and leasing unit of RCA Corp.

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PICASSO AND 800% PROFITS

An historian has claimed that a turning point in Picasso's life occurred in 1907, when Pablo wandered into the ethnography museum at the Trocadero in Paris, and saw fetish figures and tribal masks. The effect on Picasso was traumatic. "At that moment" he mused, "I realized what painting was all about." He repainted two faces in "Les Femmes d'Alger," taking his first step towards Cubism. Our researchers are not stirred by tribal masks in seeking the Truth, the "Gestalt" of the market; we probe into matters infinitely more complex than bows and arrows — the slings and arrows of outrageous fortune — as traced by the Tape.

The vision that inspired Picasso has its counterpart on the "Street". It is the imagery of the "Crowd", of the masses mesmerized by financial myths, pre-conditioned to accept prevailing opinion and refusing to comprehend that the market is manoeuvred by "Elitists" who mock the consensus. Example? In March 1982 one of the world's largest investment services released a list of 67 stocks which they predicted would "underperform" the market, stocks with a "sale" tag.

We passed their mundane analysis, suggesting that the shares be bought instead of being sold, that the "sick" prices of the equities already had "illness" factored in, that the law of contrary reason would prove triumphant. All but seven of the 67 equities subsequently advanced; once again, the contrarian outsmarted prosaic research. What the investment service failed to acknowledge is the existence of "Sponsorship", the force that propels stock prices. At their nadir, seasoned bona-fide shares attract contrarians and Elitists, who utilize the despair of the masses to accumulate, at wholesale levels, the discards of the disenchanted.

Since late 1981, 90% of the shares recommended by C.G.R. advanced while 92% of stocks classified as "short sales" have buckled, for we attempt to decipher the contortions of both the Crowd and Elitists. In sitting with Elitists in the Pulpit, and not with novitiates in the Pews, a perceptive soul can outpace the DOW, focusing upon stocks with dynamic leverage. Our forthcoming report highlights a maturing corporation that could catapult, as did a recently recommended "special situation" that escalated 800% in six months. For your complimentary copy please write to, or telephone:

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past performance does not guarantee future results

Rizzoli Head Gets New Post

The Associated Press

MILAN — Antonio Coppi, the recently appointed chairman of the Rizzoli publishing group, has been named to head Editoriale Corriere della Sera, the company that prints Italy's leading daily newspaper.

Mr. Coppi, who is president of the association of private industrialists of the Lombardy region, represents the consortium led by the Gemina holding company that recently took over the Rizzoli-Corriere della Sera group.

Rizzoli Editore, which faced severe financial difficulties in 1982 following the collapse of Banco Ambrosiano, its top creditor, achieved a major turnaround this year after two years under court-appointed managers. The consortium that now controls the publishing group includes the Agnelli and Pirelli families and other leading private industrialists.

'Merchants' of Wall Street

(Continued from Page 19)

thanks to public ownership and the consolidation of the industry. Most important, the old investment banking firms decided to deal themselves in on leveraged buyouts after seeing how lucrative they can be. Dozens of small and large investment banking firms were inspired after William Simon, the former Treasury secretary, and his partners made a killing of \$200 million after taking Gibson Greeting Cards public in May of last year. Only 18 months earlier they had invested \$1 million in a leveraged buyout of the company.

The current practice differs from traditional merchant banking mainly in that most firms now in-

vested to cash in sooner. "We like to see the opportunity to approach liquidity on an investment within three to five years," said William E. Mayer, chief administrative officer of First Boston.

The newly active firms scoff at the charge that their investments represent a potential conflict. As Mr. Mayer said, "We don't even serve a customer base that invests the same way we do." Similarly, both Richard B. Fischer, president of Morgan Stanley, and Mr. Marston of Prime Venture insist that providing liquidity and service for customers takes precedence over outside uses of the firm's money.

G. Christian Andersen, senior vice president, said that Drexel Burnham avoids conflicts by spreading its investments over more than 70 companies so that its equity in any one is small, around 10 percent on the average. His firm often takes stock instead of a fee for its investment banking services. Other firms are resuming the practice of taking interests in companies they bring public.

Aside from the potential for a high return on their equity, investment bankers see merchant banking as a way to cement a relationship with corporate client. "It allows us to do more cross-selling of our services," said Robert F. Mancuso, a managing director of Merrill Lynch's Capital Markets. "Cross-selling is increasingly important to bolster advisory fee income as competitive pressures drive down the income from standard underwritings," he added.

Merchant banking is also an outlet for entrepreneurial energies as investment banking firms become larger and more geared to serving a multitude of clients. As Mr. Mayer of First Boston noted, "We have a merchant banking department of a dozen people whose skills and interests are in living with an investment from three to five years. That's entirely different from those who thrill at doing one transaction and moving on to the next."

Nonetheless, the large Wall Street firms are not yet active enough or lucrative enough to imitate "all the highly charged entrepreneurial types," Professor Samuel H. Hayes of the Harvard Business School observed. He said he expects that many entrepreneurial people will leave the big Wall Street firms to strike out on their own.

Let's start with Frankfurt.

Why is Frankfurt so important? "Frankfurt ranks among the world's foremost banking and financial centers. 150 German banking institutions operate here, and Frankfurt has more international banks than any other city in Continental Europe."

The Bundesbank is headquartered here, and the Frankfurt Stock Exchange is Germany's largest, accounting for nearly half of the stock exchange transactions, two-thirds of its dealings in foreign shares and some 80 percent of the business in foreign fixed-interest securities.

Perhaps less well-known internationally is that Hessische Landesbank is one of Frankfurt's big native-born banks. Half of Germany's top 10 banks are Frankfurt-based. We're one of them.

About the bank itself.

What are its size and structure? "With total assets of some DM 63 billion, Hessische Landesbank is Germany's 10th largest bank, 3rd among Landesbanks. It is a government-backed regional bank with its liabilities guaranteed jointly by the State of Hesse and its Sparkassen and Giro Association. We also act as banker to the State of Hesse from which our name is derived, and perform clearing functions for the 52 local Sparkassen."

What about your service facilities?

"As a German universal bank, our facilities cover the full range of commercial and invest-

Focus on Hessische Landesbank - Girozentrale -

"Half of Germany's top 10 banks are Frankfurt-based. We're one of them."



ment banking services. Internationally, we concentrate on wholesale banking and medium to long-term financing.

Recently we have also significantly expanded our money market operations, drawing on the combined facilities of our London, New York, and Luxembourg dealing rooms.

Moreover, we participate regularly in international bond, note and share issues, and perform brokerage functions for international investors. Our membership of the Frankfurt Stock Exchange facilitates dealing in quoted shares and fixed-interest securities."

And sources of funds?

"A large part of our funding is done by issuing our own bonds and SD Certificates (Schuldscheindarlehen). The total outstanding is over DM 26 billion. As well, corporations, governments, and other institutional investors consider Hessische Landesbank a prime name for large-scale deposits."

Who are the bank's main clients?

"As a wholesale bank, our service facilities are tailored for large, internationally-active cor-

porations, foreign governments, and financial institutions, as well as subsidiaries of international companies operating in Germany. As bankers to the State of Hesse, we support state-wide and municipal programs, and work closely with Hesse's Sparkassen and their clients, for example on the foreign side."

How do you see your position developing internationally?

"Without neglecting our home base in Frankfurt, we have assembled a team of banking professionals devoted to building a strong international track record based on pragmatic banking principles, the most modern technical and support facilities, and the highest standards of client service. International banking is quite competitive, and banks that try harder for their clients and give them fast, personal service often have the edge. This is one of our major objectives."

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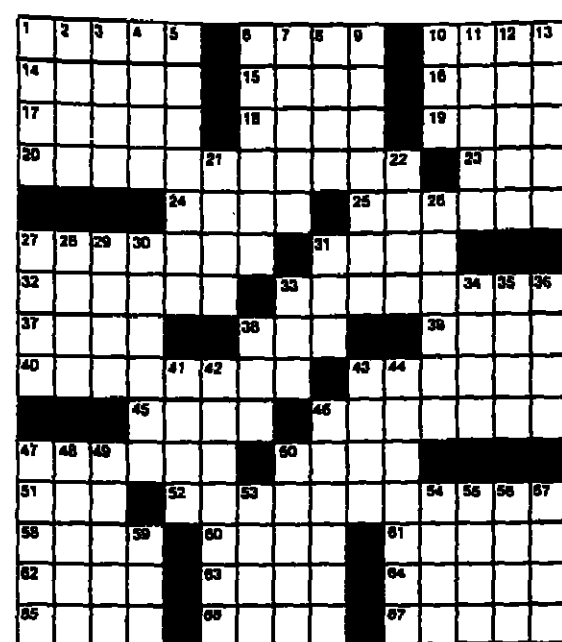
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Hessische Landesbank - Girozentrale -

Company Earnings

Revenue and profits, in millions, are in local currencies unless otherwise indicated

Britain		Boots	
1st Half	1984	1983	
Revenue	920.1	824.0	
Pre-tax Profit	79.7	79.7	
Per share	0.65	0.57	

Sweden		Volvo	
9 Months	1984	1983	
Revenue	62,710	71,490	
Net income	5,610	3,210	



ACROSS

1 Type of system or battery
6 Gather
10 Singer Nancy
14 Roman official
15 S Tex. city
16 Bombast
17 Forgive a sin
18 Numerical suffix
19 "The Morning Watch" author
20 Swagging: bluster
23 Former ice man
24 Kan. city
26 Webfoot's home
27 Fastened metalically
31 Speaker of baseball
32 Affectionate gesture
33 Drawers of the longbow
37 French wing
38 Handle rudely
39 Ariz. town
40 Windbag
43 Missing link
46 Spring wild flower
47 "Ad Astra per..."
50 In the office
51 Actor Billy Williams

DOWN

1 Homager
2 Performing halls
3 Portray in words
4 Arabic alphabetical start
5 Sells to the consumer
6 Impaired anew
7 Actress
8 On the Q.E.D.
9 Releaser of evils
10 A constellation
11 Gog's other half
12 Month before febrero
13 Stern's opposite
18 Ruminants
22 Apple-of-discord tosser
26 Reverence
27 Casting
28 Regularity
29 Shadow
29 A Guthrie
30 Shrimp
31 Coarse hemp fibers
33 Like Peck's boy
34 A Roper
35 Imitation morocco
36 Since, to Burns
38 Inquire imperitently
41 Fennel or cervil
42 Daunted
43 Celebes ox
44 Lavaliers
46 Points of view
47 Bedizen
48 Former Indian soldier
49 Annoy
50 Bis
53 Prefix for gram or meter
54 Hebrew measure
55 Type of dweller
56 Invokes spleen
57 Galley gear
59 Barrier for McEnroe

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DENNIS THE MENACE



Unscramble these four jumbles. One letter to each square, to form four ordinary words.

JUMBLE THAT SCRAMBLED WORD GAME
by Henry Arnold and Bob Lee

RISUV
CLEEX
NOOTIL
ARPITE

Answer here: A

Yesterday's Jumbles: ANKLE GAKED ENTIRE RADIUS

What a very repetitive type of dance might be called — "REDUNDANCE"

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

(Answers tomorrow)

WHAT AN ALBI USUALLY IS.

WEATHER

EUROPE HIGH LOW ASIA HIGH LOW

Algeria 6 10 10 10 10 10

Amsterdam 10 10 10 10 10 10

Barcelona 10 10 10 10 10 10

Berlin 10 10 10 10 10 10

Bombay 10 10 10 10 10 10

Buenos Aires 10 10 10 10 10 10

Calcutta 10 10 10 10 10 10

Cardiff 10 10 10 10 10 10

Chennai 10 10 10 10 10 10

Cairo 10 10 10 10 10 10

Colombo 10 10 10 10 10 10

Dakar 10 10 10 10 10 10

Dhaka 10 10 10 10 10 10

Dublin 10 10 10 10 10 10

Edinburgh 10 10 10 10 10 10

Geneva 10 10 10 10 10 10

Helsinki 10 10 10 10 10 10

Istanbul 10 10 10 10 10 10

London 10 10 10 10 10 10

Los Angeles 10 10 10 10 10 10

Madrid 10 10 10 10 10 10

Moscow 10 10 10 10 10 10

Munich 10 10 10 10 10 10

Nairobi 10 10 10 10 10 10

Paris 10 10 10 10 10 10

Perth 10 10 10 10 10 10

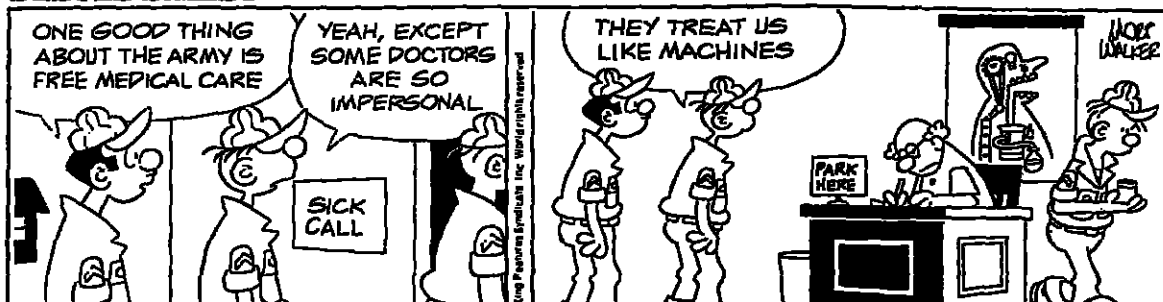
PEANUTS



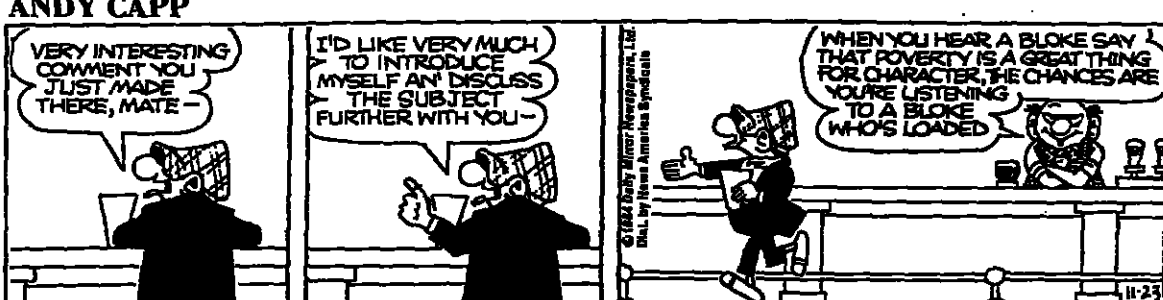
BLONDIE



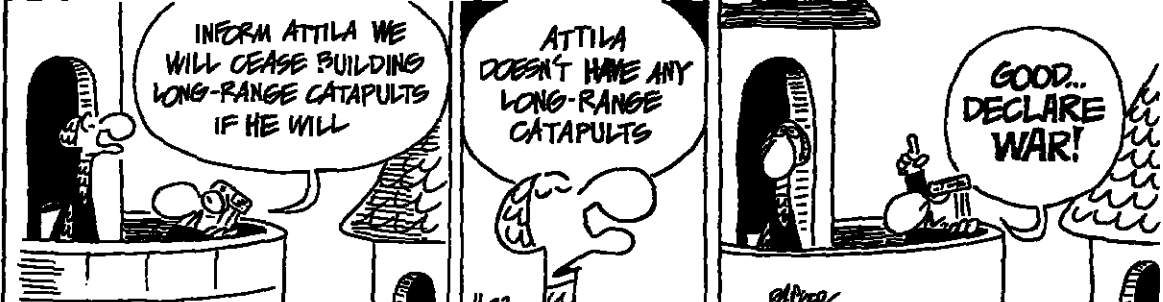
BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



Canadian Stock Markets Nov. 22

Prices in Canadian cents unless marked \$

Toronto

High Low Close

200 Alcan 100 100 100

200 Bank of Montreal 100 100 100

200 Bell Canada 100 100 100

200 Borealis 100 100 100

200 Canadian Pacific 100 100 100

200 Canadian Tire 100 100 100

200 CIBC 100 100 100

200 CIBC World 100 100 100

200 CIBC World 100 100 100

200 CIBC World 100 100 100

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BOOKS

A FANATIC HEART:

Selected Stories of Edna O'Brien

With a foreword by Philip Roth

461 pp. \$17.95.

Farrar Straus & Giroux, 19 Union Square, New York, N.Y., 10003

Reviewed by Michiko Kakutani

IN this collection of short stories, Edna O'Brien shuffles her characters between two widely disparate settings — between innocence and sophistication; between provincial Irish towns, where young unmarried maids service each other's sexual needs. Her focus and tone, however, remain insistently the same. Most of the stories in "A Fanatic Heart" are set down in languorous, elegiac prose. And most concern the emotional dilemmas of women caught in failed love affairs — both her convent-educated girls and her fast-living vamps are smart, passionate women doomed to suffer over their fickle men.

In the stories with an Irish setting — most notably "Savage," "Sister Inez," and "A Scandalous Woman" — O'Brien stages her battle of the sexes against the backdrop of the Roman Catholic Church, and its unforgiving edicts throw shadows of guilt over her characters' lives. Although these stories unravel into moral fairy tales — the stock cast usually includes a deflowered novice, her drunk, intolerant father and her churchly lover — they're enlivened by O'Brien's earthy humor and her sense of place.

It's this firm sense of place — amplified by religion, class and the rituals of village life — that enables these provincial characters to know who they are or what they were meant to be even if, in the end, they decide to leave. "I realized that by choosing my world I had said goodbye to my own and to those in it," says the narrator of "The Connor Girls," who has left home for Dublin and a marriage. "By such choices we gradually become exiles, until at last we are quite alone."

With half the stories in "A Fanatic Heart," O'Brien herself has chosen exile from her native Ireland and defiance of her Catholic education. But while these rare tales of sexual passion, set in London and on the Continent, are probably her best known, they're also, clearly, her weakest.

In such stories as "The Love Object," "Paradise," "Over" and "Baby Blue," she makes only the most perfunctory efforts to delineate the social worlds inhabited by her characters — references to lobster tails and finger bowls are supposed to conjure up an entire jet-set scene. It's as if, in leaving the familiar landscape of Ireland, O'Brien had abandoned all pretense of trying to give her characters a history. Information about their daily lives is equally scant; matters like children and jobs —

even personality — are treated as mere footnotes to sexual obsession.

As a result, the heroines in these stories come across as abstract, faceless females — some referred to only as she — and they blur together into fuzzy pictures of affliction. They may launch into long, breathy monologues about their fantasies and their orgasms; they may go on for pages about pain and desperation and "infinite infinities," but since they only register, in our minds, as case studies, their disclosures are strangely unmoving. It's like reading anonymous letters in Cosmopolitan — intimate revelations from strangers that may trigger voyeuristic interest but not the higher pleasures of sympathy and recognition.

As for the men in these O'Brien stories, they're either puritanical father figures, charged with dispensing guilt, or sex objects described in purely physical terms. The male protagonist in "The Love Object," for instance, is just that — a love object who apparently smells like a combination of parsley, thyme and mint; has a "slight trace of masochism" and smokes cigars that leave little phallic heaps of ashes in the ash tray. He's fond of saying to the narrator, "You don't know what an oasis this is." Or, "Has any man ever told you that to see a woman you desire when you cannot do a thing about it leaves you with an ache?"

For that matter, few of O'Brien's characters are terribly eloquent, though they do like to rattle on and on about themselves. If the author is straining for a kind of Joycean effect in these long, free-associative riffs, her manipulation of language remains commonplace and the urgency she wants to achieve dribbles off into self-absorption.

Sometimes, the writing sounds like a cheap greeting card: "Couldn't we ride that way, the way the waves, the white horses, ride the sea?" Sometimes it sounds like a dime-store romance novel: "That night their love-making had all the sweetness and all the release that earth must feel with the long-awaited rain." And sometimes it sounds like a paranoiac blend of Erica Jong and Anais Nin: "Do I like all this love-making?" she asked herself. She had to admit that possibly she did not, that it went on too long, that it was involvement she sought, involvement and threat." At this point, the reader is inclined to agree — this has gone on too long.

Michiko Kakutani is on the staff of The New York Times.

'Communist Manifesto' in Braille

United Press International

BONN — "The Communist Manifesto," written in German by Karl Marx and Friedrich Engels in 1848, is now available to German readers in Braille. Richard Kumpf said in Bonn Thursday his Wuppertal-based Marx-Engels Institute has printed 200 copies and would send them free to schools for the blind.

BRIDGE

By Alan Truscott

ON the diagrammed deal, South held a complete two-suiter, which occurs once in about 18,000 deals, and became the declarer at both tables.

North could not open one club, for that would have been strong and artificial. He was forced in his methods to bid one spade, which discomfited East. That player stayed out of the auction for three rounds but then emerged with a bid of four spades and a penalty double of five hearts. This contract was unbeatable and made an overtrick after the opening lead of a club.

In the replay there was, as shown, a more competitive auction after the normal opening bid of one club. South was no doubt rather nervous when his one-heart response over the take-out double was followed by two passes. With a freak distribution it did not seem possible to him that the bid-

ding would die, and he was right. East could not possibly realize that he could salvage the match for his team by passing. He naturally jumped to four spades in the hope of scoring a game in that suit.

This released a competitive storm. South kept bidding his red suits, and was eventually doubled, first in six diamonds by West, and then in six hearts. East would certainly have refrained from this final double if he had known that his black-suit honors were totally worthless in defense.

The onus was now on West. He can hardly be blamed for leading a spade, but that turned out to be fatal. South ruffed and led a diamond to the king. When he led the diamond ten East ruffed and led a trump but it was too late. East won with the ace and ruffed a low diamond with dummy's remaining high trump. He ruffed his way back to his hand, drew the missing trump and claimed his doubled slam.

This was a loss of 10 international match points for East-West. If West had been inspired to lead his singleton trump, he would have prevented a ruff in dummy and defeated the slam for a gain of 13 points, making the match a draw.

Neither side was vulnerable. The bidding:

North: 1♣, 2♦, 3♥, 4♠, 5♥, 6♥, 7♥, 8♥, 9♥, 10♥, 11♥, 12♥, 13♥, 14♥, 15♥, 16♥, 17♥, 18♥, 19♥, 20♥, 21♥, 22♥, 23♥, 24♥, 25♥, 26♥, 27♥, 28♥, 29♥, 30♥, 31♥, 32♥, 33♥, 34♥, 35♥, 36♥, 37♥, 38♥, 39♥, 40♥, 41♥, 42♥, 43♥, 44♥, 45♥, 46♥, 47♥, 48♥, 49♥, 50♥, 51♥, 52♥, 53♥, 54♥, 55♥, 56♥, 57♥, 58♥, 59♥, 60♥, 61♥, 62♥, 63♥, 64♥, 65♥, 66♥, 67♥, 68♥, 69♥, 70♥, 71♥, 72♥, 73♥, 74♥, 75♥, 76♥, 77♥, 78♥, 79♥, 80♥, 81♥, 82♥, 83♥, 84♥, 85♥, 86♥, 87♥, 88♥, 89♥, 90♥, 91♥, 92♥, 93♥, 94♥, 95♥, 96♥, 97♥, 98♥, 99♥, 100♥, 101♥, 102♥, 103♥, 104♥, 105♥, 106♥, 107♥, 108♥, 109♥, 110♥, 111♥, 112♥, 113♥, 114♥, 115♥, 116♥, 117♥, 118♥, 119♥, 120♥, 121♥, 122♥, 123♥, 124♥, 125♥, 126♥, 127♥, 128♥, 129♥, 130♥, 131♥, 132♥, 133♥, 134♥, 135♥, 136♥, 137♥, 138♥, 139♥, 140♥, 141♥, 142♥, 143♥, 144♥, 145♥, 146♥, 147♥, 148♥, 149♥, 150♥, 151♥, 152♥, 153♥, 154♥, 155♥, 156♥, 157♥, 158♥, 159♥, 160♥, 161♥, 162♥, 163♥, 164♥, 165♥, 166♥, 167♥, 168♥, 169♥, 170♥, 171♥, 172♥, 173♥, 174♥, 175♥, 176♥, 177♥, 178♥, 179♥, 180♥, 181♥, 182♥, 183♥, 184♥, 185♥, 186♥, 187♥, 188♥, 189♥, 190♥, 191♥, 192♥, 193♥, 194♥, 195♥, 196♥, 197♥, 198♥, 199♥, 200♥, 201♥, 202♥, 203♥, 204♥, 205♥, 206♥, 207♥, 208♥, 209♥, 210♥, 211♥, 212♥, 213♥, 214♥, 215♥, 216♥, 217♥, 218♥, 219♥, 220♥, 221♥, 222♥, 223♥, 224♥, 225♥, 226♥, 227♥, 228♥, 229♥, 230♥, 231♥, 232♥, 233♥, 234♥, 235♥, 236♥, 237♥, 238♥, 239♥, 240♥, 241♥, 242♥, 243♥, 244♥, 245♥, 246♥, 247♥, 248♥, 249♥, 250♥, 251♥, 252♥, 253♥, 254♥, 255♥, 256♥, 257♥, 258♥, 259♥, 260♥, 261♥, 262♥, 263♥, 264♥, 265♥, 266♥, 267♥, 268♥, 269♥, 270♥, 271♥, 272♥, 273♥, 274♥, 275♥, 276♥, 277♥, 278♥, 279♥, 280♥, 281♥, 282♥, 283♥, 284♥, 285♥, 286♥, 287♥, 288♥, 289♥, 290♥, 291♥, 292♥, 293♥, 294♥, 295♥, 296♥, 297♥, 298♥, 299♥, 300♥, 301♥, 302♥, 303♥, 304♥, 305♥, 306♥, 307♥, 308♥, 309♥, 310♥, 311♥, 312♥, 313♥, 314♥, 315♥, 316♥, 317♥, 318♥, 319♥, 320♥, 321♥, 322♥, 323♥, 324♥, 325♥, 326♥, 327♥, 328♥, 329♥, 330♥, 331♥, 332♥, 333♥, 334♥, 335♥, 336♥, 337♥, 338♥, 339♥, 340♥, 341♥, 342♥, 343♥, 344♥, 345♥, 346♥, 347♥, 348♥, 349♥, 350♥, 351♥, 352♥, 353♥, 354♥, 355♥, 356♥, 357♥, 358♥, 359♥, 360♥, 361♥, 362♥, 363♥, 364♥, 365♥, 366♥, 367♥, 368♥, 369♥, 370♥, 371♥, 372♥, 373♥, 374♥, 375♥, 376♥, 377♥, 378♥, 379♥, 380♥, 381♥, 382♥, 383♥, 384♥, 385♥, 386♥, 387♥, 388♥, 389♥, 390♥, 391♥, 392♥, 393♥, 394♥, 395♥, 396♥, 397♥, 398♥, 399♥, 400♥, 401♥, 402♥, 403♥, 404♥, 405♥, 406♥, 407♥, 408♥, 409♥, 410♥, 411♥, 412♥, 413♥, 414♥, 415♥, 416♥, 417♥, 418♥, 419♥, 420♥, 421♥, 422♥, 423♥, 424♥, 425♥, 426♥, 427♥, 428♥, 429♥, 430♥, 431♥, 432♥, 433♥, 434♥, 435♥, 436♥, 437♥, 438♥, 439♥, 440♥, 441♥, 442♥, 443♥, 444♥, 445♥, 446♥, 447♥, 448♥, 449♥, 450♥, 451♥, 452♥, 453♥, 454♥, 455♥, 456♥, 457♥, 458♥, 459♥, 460♥, 461♥, 462♥, 463♥, 464♥, 465♥, 466♥, 467♥, 468♥, 469♥, 470♥, 471♥, 472♥, 473♥, 474♥, 475♥, 476♥, 477♥, 478♥, 479♥, 480♥, 481♥, 482♥, 483♥, 484♥, 485♥, 486♥, 487♥, 488♥, 489♥, 490♥, 491♥, 492♥, 493♥, 494♥, 495♥, 496♥, 497♥, 498♥, 499♥, 500♥, 501♥, 502♥, 503♥, 504♥, 505♥, 506♥, 507♥, 508♥, 509♥, 510♥, 511♥, 512♥, 513♥, 514♥, 515♥, 516♥, 517♥, 518♥, 519♥, 520♥, 521♥, 522♥, 523♥, 524♥, 525♥, 526♥, 527♥, 528♥, 529♥, 530♥, 531♥, 532♥, 533♥, 534♥, 535♥, 536♥, 537♥, 538♥, 539♥, 540♥, 541♥, 542♥, 543♥, 544♥, 545♥, 546♥, 547♥, 548♥, 549♥, 550♥, 551♥, 552♥, 553♥, 554♥, 555♥, 556♥, 557♥, 558♥, 559♥, 560♥, 561♥, 562♥, 563♥, 564♥, 565♥, 566♥, 567♥, 568♥, 569♥, 570♥, 571♥, 572♥, 573♥, 574♥, 575♥, 576♥, 577♥, 578♥, 579♥, 580♥, 581♥, 582♥, 583♥, 584♥, 585♥, 586♥, 587♥, 588♥, 589♥, 590♥, 591♥, 592♥, 593♥, 594♥, 595♥, 596♥, 597♥, 598♥, 599♥, 600♥, 601♥, 602♥, 603♥, 604♥, 605♥, 606♥, 607♥, 608♥, 609♥, 610♥, 611♥, 612♥, 613♥, 614♥, 615♥, 616♥, 617♥, 618♥, 619♥, 620♥, 621♥, 622♥, 623♥, 624♥, 625♥, 626♥, 627♥, 628♥, 629♥, 630♥, 631♥, 632♥, 633♥, 634♥, 635♥, 636♥, 637♥, 638♥, 639♥, 640♥, 641♥, 642♥, 643♥, 644♥, 645♥, 646♥, 647♥, 648♥, 649♥, 650♥, 651♥, 652♥, 653♥, 654♥, 655♥, 656♥, 657♥, 658♥, 659♥, 660♥, 661♥, 662♥, 6

